

VIDEOTAPED DEPOSITION OF WILLIAM C. KENNEDY
CONDUCTED ON THURSDAY, AUGUST 15, 2002

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1 WILLIAM C. KENNEDY
2 I would term a standard severance agreement in terms 16:03:18
3 of the format and the construct of it. And I was 16:03:22
4 told that the amount was \$1.2 million, which gave me 16:03:27
5 a little pause. 16:03:35
6 Q. Why? 16:03:36
7 A. That's a lot of money, but -- it's a lot of 16:03:38
8 money, but it's also not out of the realm of 16:03:44
9 possibility at AHERF. 16:03:48
10 Q. At AHERF? 16:03:49
11 A. At AHERF. 16:03:50
12 Q. But not generally? 16:03:51
13 A. Because it could -- 16:03:52
14 MR. RYAN: Objection. 16:03:53
15 THE WITNESS: -- conceivably represent 16:03:55
16 multi-year -- it's probably a number derived from 16:03:58
17 salary times a number of years of potential service. 16:04:07
18 I had no idea what Carol made, still don't. 16:04:07
19 What I -- when I questioned the number with David, I 16:04:12
20 was basically told the number's resolved, Sherif has 16:04:17
21 said it's 1.2, just do the agreement. 16:04:23
22 BY MR. TORBORG: 16:04:27
23 Q. Do you know why -- 16:04:28
24 A. I prepared the agreement. 16:04:29
25 Q. Do you have any insight as to why Carol 16:04:32

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1 WILLIAM C. KENNEDY
2 with AHSPIC and with the activities of the insurance 16:06:27
3 company. 16:06:31
4 Ms. Wynstra took the position that all the 16:06:33
5 business to be conducted by AHSPIC was required under 16:06:36
6 Cayman law to be outside the Continental United 16:06:39
7 States; that you could not even convene a complaint 16:06:44
8 committee meeting to review the status of litigation 16:06:53
9 in this country, that those meetings had to be 16:06:56
10 outside of the United States. 16:06:59
11 And as a consequence, four times a year, 16:07:03
12 meetings of the claims committee -- complaint, I said 16:07:06
13 complaint, but I meant claims -- claims committee, 16:07:11
14 were held outside of the United States. There was 16:07:13
15 usually -- every January, the meeting was in the 16:07:16
16 Cayman. There was usually at least one meeting in 16:07:20
17 Canada, and then there was usually a meeting in 16:07:24
18 Europe, and the fourth meeting could be anywhere. 16:07:28
19 Q. Where in Europe would it typically be? 16:07:33
20 A. In Europe, they were usually in some very 16:07:34
21 nice old world city like Copenhagen and Amsterdam and 16:07:37
22 Paris, Rome, somewhere near Baden-Baden, Germany, 16:07:45
23 Stockholm, London. 16:07:53
24 Nancy would go to London periodically 16:08:00
25 because some of the excess coverage, layers of 16:08:00

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1 WILLIAM C. KENNEDY
2 Calvert was let go? 16:04:34
3 A. There was a lot of speculation, internal 16:04:42
4 office, good internal office speculation. 16:04:46
5 Q. Such as? 16:04:49
6 A. Well, it ran the gamut from simply not 16:04:50
7 being satisfied with performance, which would be a 16:04:55
8 legitimate rationale for asking someone to leave, 16:04:58
9 versus having a personal affair with someone and then 16:05:03
10 the affair ending and someone being asked to no 16:05:10
11 longer be in my presence, that kind of thing. Do I 16:05:15
12 know specifically where in that -- where in the gamut 16:05:19
13 lies the truth? I do not, no. 16:05:24
14 Q. Was the speculation about an affair -- did 16:05:27
15 that involve a member of AHERF senior management? 16:05:30
16 A. It involved Mr. Abdelhak. I don't know 16:05:36
17 whether it's true nor did I try to find out. 16:05:40
18 Q. When we were off line -- I think Anthony 16:06:02
19 was in the room -- we were discussing some personal 16:06:05
20 travel that Ms. Wynstra took -- 16:06:09
21 A. Yes. 16:06:12
22 Q. -- while she was at AHERF. What can you 16:06:12
23 remember about that? 16:06:19
24 A. I can remember that there was a lot of it. 16:06:21
25 I can remember that most -- most of it was associated 16:06:23

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1 WILLIAM C. KENNEDY
2 coverage, the excess layers, were through Lloyd's. 16:08:07
3 So she would be over there to meet with 16:08:10
4 representatives of Lloyd's and discuss that. 16:08:14
5 You know, the board meetings for AHSPIC 16:08:23
6 were overseas. There was -- I think the last year I 16:08:25
7 was there, the AHSPIC board meeting was in Scotland, 16:08:33
8 and I remember her coming back from Scotland being 16:08:36
9 very enamored of the place that they had stayed. And 16:08:39
10 not long after, I was told that she and her husband 16:08:43
11 had either invested in property or had bought some 16:08:49
12 property over there while they were there. 16:08:51
13 I always knew that there was no such thing 16:09:00
14 as having to do all of that business outside of the 16:09:03
15 United States. And this became very public after the 16:09:05
16 bankruptcy because there had been an expose in The 16:09:12
17 Philadelphia Inquirer about comparing the expenses 16:09:15
18 that AHERF incurred running its captive insurance 16:09:18
19 company versus Jefferson and the University of 16:09:23
20 Pennsylvania. And Jefferson's is a Cayman captive as 16:09:27
21 well, and they certainly did business in the United 16:09:32
22 States. They didn't go -- they didn't take all the 16:09:34
23 business out of the country like she was professing 16:09:37
24 was necessary. 16:09:39
25 This was not just Nancy travel. When we 16:09:41

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1 WILLIAM C. KENNEDY
2 talk about a claims committee meeting, we're talking 16:09:44
3 about probably 60 odd people traveling to these 16:09:46
4 cities, round-trip fair, often with spouses. You're 16:09:50
5 talking about five-star hotels, the best restaurants 16:09:59
6 in the city. 16:10:05
7 You're also talking about an extraordinary 16:10:05
8 amount of time planning these trips and the costs 16:10:05
9 associated with that. There was a travel agent in 16:10:09
10 Pittsburgh who regularly met with Nancy and planned 16:10:12
11 these trips years in advance. He would come in. 16:10:15
12 They would spend hours in the afternoons planning 16:10:19
13 these trips. 16:10:22
14 The person that would know the most about 16:10:23
15 this is Nancy's assistant, Michelle Zatezalo, 16:10:24
16 Z-a-t-e-z-a-l-o. That was Michelle's principal 16:10:29
17 responsibility, planning these trips. Nancy would go 16:10:36
18 before the planned trip. She would stay beyond the 16:10:42
19 trip. Many of the people that would go over could 16:10:45
20 conceivably be -- many of the members of the claims 16:10:49
21 committee were physicians and they would go with 16:10:51
22 their wives and they would have extended periods of 16:10:54
23 time afterwards where they would stay wherever. 16:11:06
24 Nancy would often shop. She was a great 16:11:06
25 antiquer, and she would often have lots of things 16:11:10

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1 WILLIAM C. KENNEDY
2 shipped back from wherever they had been. I remember 16:11:12
3 one instance where Michelle had to go down to the 16:11:15
4 wharf in Pittsburgh to pick up two armoires that had 16:11:21
5 been shipped over from Stockholm, and I was puzzled 16:11:25
6 as to why Michelle was going to pick them up for 16:11:29
7 starters during the workday. 16:11:32
8 And you couldn't help but sit back and 16:11:35
9 wonder who was paying for the armoires and who paid 16:11:38
10 for the shipping and all those wonderful things that 16:11:42
11 pass through your mind when you realize that this 16:11:45
12 person is doing this so often, so visibly in front of 16:11:47
13 all the rest of the staff. She got away with it. 16:11:55
14 And, you know, I mean, Sherif and his wife 16:12:05
15 were on these trips. The people -- you know, 16:12:07
16 McConnell did not go on these trips. He went to the 16:12:10
17 Caymans every year, but he didn't go to the claims 16:12:14
18 committee meetings. Sanzo was on these committee 16:12:17
19 meetings. He would go. 16:12:20
20 The president, the chairman of the claims 16:12:20
21 committee, was Nancy's husband who was a physician, 16:12:22
22 Dr. Berg. He was the chairman of the claims 16:12:27
23 committee, and obviously, then they were both -- they 16:12:31
24 both got over there and back by virtue of their roles 16:12:36
25 relative to the committees. So she essentially had 16:12:42

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1 WILLIAM C. KENNEDY
2 Allegheny paying the travel for both of them back and 16:12:44
3 forth to these incredible venues. 16:12:48
4 Q. In addition to these kind of expenses, can 16:12:55
5 you recall any other type of -- I don't want to use a 16:12:57
6 vague word which he'll object to -- exorbitant 16:13:01
7 expenses? 16:13:05
8 A. Exorbitant. That's a relative term working 16:13:09
9 for Allegheny because you have to understand 16:13:17
10 Allegheny owned two jets. We jetted back and forth 16:13:22
11 between Philadelphia and Pittsburgh practically every 16:13:24
12 day. You would get -- you know, if you had to have a 16:13:27
13 meeting -- if I needed to meet with the three doctors 16:13:31
14 that I talked about earlier, the three Bs, I would 16:13:33
15 take the jet to Philadelphia. I'd get on the 16:13:35
16 schedule, and I would be able to fly in the morning 16:13:38
17 from Pittsburgh to Philadelphia. I'd have my meeting 16:13:41
18 with them, and I'd go back to the Philadelphia 16:13:45
19 airport and I was home in Pittsburgh again that 16:13:46
20 evening. 16:13:48
21 That plane -- the planes were eight- and 16:13:50
22 12-seat planes, so, you know, depending on who was 16:13:53
23 booked, you could get bumped. You know, you might be 16:13:57
24 scheduled to go and Mr. Abdelhak needed the seat or 16:14:00
25 whatever and then you flew commercial. 16:14:03

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1 WILLIAM C. KENNEDY
2 There was also a suite, a hotel suite, at 16:14:06
3 the Rittenhouse Plaza in Philadelphia that was 16:14:12
4 available for staff that, you know, that was 16:14:15
5 traveling and needed to stay overnight. I stayed at 16:14:20
6 the Rittenhouse a number of times. The Rittenhouse 16:14:22
7 is very top drawer. You know, it's a very lovely 16:14:25
8 part of Philadelphia. It's very expensive. It's not 16:14:30
9 a hotel that I would pay to stay at. It's definitely 16:14:34
10 not something that I would spend that kind of money 16:14:37
11 on. 16:14:39
12 But I had a -- it was a two-bedroom suite, 16:14:39
13 and often there would be -- often I could be there by 16:14:44
14 myself or there might be someone else sharing the 16:14:46
15 other room. But we had a kitchen, a living room, the 16:14:48
16 whole shooting match. And that was -- Allegheny 16:14:51
17 owned it or rented it or something. They had it 16:14:55
18 on -- they apparently had acquired this when they 16:14:58
19 acquired MCP because they had a lot of people out to 16:15:02
20 MCP for a lengthy period of time and then they 16:15:07
21 continued to use it and have access to it. 16:15:11
22 When they -- when they acquired Hahnemann, 16:15:15
23 we had a legal office in a building called the Bellet 16:15:22
24 building at Hahnemann that was perfectly fine. It 16:15:29
25 was a building that Hahnemann owned. It had been 16:15:29

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1 WILLIAM C. KENNEDY
2 renovated in probably 1985, and we're now talking 16:15:36
3 1993, so the renovations -- it was probably about a 16:15:39
4 seven- or eight-year-old renovation. Nancy decided 16:15:42
5 that it was too small, decided that she needed more 16:15:46
6 space, ended up going downtown, moved the entire 16:15:52
7 legal department to Center Square West, which is one 16:15:56
8 of the high-rise buildings in the city. Who knows 16:16:02
9 what the rent was. 16:16:05
10 I take that back. It wasn't Center Square. 16:16:07
11 It was First Avenue. It was Fifth -- not Fifth 16:16:08
12 Avenue Place. Liberty Square, which is the -- the 16:16:15
13 premiere office building downtown; rented an entire 16:16:16
14 floor from the Duane, Morris, Hechecher law firm 16:16:22
15 because Duane was downsizing. But this was a floor 16:16:28
16 that had been -- you know, it was a very new building 16:16:31
17 so this floor had been done for Duane, Morris, 16:16:42
18 beautiful hardwood reception area. You guys know 16:16:42
19 what they look like, what nice offices look like for 16:16:45
20 prestigious law firms. 16:16:48
21 Nancy furnished her office with antiques, 16:16:49
22 very expensive antiques. 16:16:53
23 Q. Who paid for those? 16:16:57
24 A. I don't know. I don't know. I have my 16:16:58
25 suspicions, but I don't know. 16:17:01

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1 WILLIAM C. KENNEDY
2 Q. Is there anything underlying your 16:17:06
3 suspensions, specifically? 16:17:07
4 A. Well, most people, when you get an office 16:17:18
5 with Allegheny, had an allowance to furnish the 16:17:20
6 office. I don't know what her allowance would have 16:17:24
7 been, but I have -- I'm hard-pressed to believe that 16:17:27
8 Nancy out of her own pocket paid to furnish an office 16:17:30
9 in Philadelphia when she was only there, you know, as 16:17:34
10 infrequently as she was. I suspect that it was an 16:17:41
11 Allegheny investment. 16:17:45
12 Q. Did you believe any of these costs were 16:17:47
13 necessary? 16:17:49
14 A. No. Did I have any way of dealing with it? 16:17:50
15 No. 16:17:56
16 Q. Is it fair to say that there was -- at 16:17:57
17 least with respect to some of the items you've just 16:18:00
18 described, there was plenty of room to cut costs? 16:18:03
19 A. Absolutely. 16:18:07
20 MR. RYAN: Objection. 16:18:08
21 THE WITNESS: Absolutely. 16:18:09
22 BY MR. TORBORG: 16:18:09
23 Q. Significant amounts of costs? 16:18:10
24 MR. RYAN: Objection. 16:18:13
25 THE WITNESS: I managed a legal office at 16:18:13

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1 WILLIAM C. KENNEDY
2 Hahnemann for five years before I went to work for 16:18:15
3 Allegheny. I worked for an organization that had to 16:18:19
4 be concerned about costs, and I moved and ended up 16:18:23
5 going to work for a company that didn't care about 16:18:27
6 costs so much so that you give somebody 16:18:29
7 responsibility to -- purportedly responsibility to 16:18:33
8 run an office and you don't share with them your 16:18:37
9 budget. I guess costs aren't important. 16:18:39
10 BY MR. TORBORG: 16:18:43
11 Q. Did you think that AHERF didn't care about 16:18:43
12 costs? 16:18:46
13 A. I think that AHERF believed that they 16:18:48
14 didn't have to care about costs. 16:18:50
15 Q. And why do you think they believed that? 16:18:55
16 A. Because I think everybody that worked there 16:18:56
17 believed that Allegheny had an extraordinary amount 16:19:00
18 of money and that there was no reason to be concerned 16:19:04
19 about it. 16:19:09
20 Q. Did you ever have the opportunity to review 16:19:14
21 AHERF or any of its affiliates' financial statements? 16:19:20
22 A. No. 16:19:24
23 Q. Do you recall ever hearing discussions that 16:19:29
24 the AHERF system as a whole was profitable? 16:19:34
25 A. Hearing discussions that the system as a 16:19:38

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1 WILLIAM C. KENNEDY
2 whole was profitable? I don't know that it was -- I 16:19:41
3 don't know that it was said that way. I don't know 16:19:52
4 that we were told that it was profitable. 16:19:55
5 I remember vividly a meeting that Sherif 16:19:58
6 had at Hahnemann when Hahnemann was taken over. He 16:20:02
7 convened the entire faculty in the University's 16:20:06
8 auditorium to introduce himself and to explain to 16:20:11
9 them the nature of Allegheny, how it was structured, 16:20:15
10 et cetera. And certainly, the implication of the 16:20:19
11 presentation, if he didn't say what you just asked 16:20:23
12 very specifically, the implication was that we can do 16:20:26
13 anything, that we -- that we can do whatever you 16:20:30
14 need, that we have the resources that you have not 16:20:34
15 had that you will have now to do what you need, 16:20:37
16 but -- and the "but" came within three minutes of the 16:20:42
17 end of the meeting, and in those last three minutes, 16:20:47
18 having brought people to here where people were 16:20:50
19 feeling, wow, this is terrific, this marriage means 16:20:53
20 that we are going to be a top-notch tertiary 16:20:56
21 hospital, that we're going to survive and that we're 16:21:01
22 going to thrive here, in those last three minutes, 16:21:03
23 following the word "but," you will do what I tell 16:21:05
24 you, because if you don't, you will be gone. And the 16:21:09
25 silence that pervaded that auditorium, I still hear 16:21:14

VIDEOTAPED DEPOSITION OF WILLIAM C. KENNEDY
CONDUCTED ON THURSDAY, AUGUST 15, 2002

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1 WILLIAM C. KENNEDY
2 tapes used was four. We are going off the record. 17:20:49
3 The time is 5:20 p.m. 17:20:51
4 (Signature having not been waived, the
5 deposition of WILLIAM C. KENNEDY was concluded at
6 5:20 p.m.)
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1 WILLIAM C. KENNEDY
2 ACKNOWLEDGMENT OF DEPONENT
3 I, WILLIAM C. KENNEDY, do hereby
4 acknowledge that I have read and examined the
5 foregoing testimony, and the same is a true, correct
6 and complete transcription of the testimony given by
7 me and any corrections appear on the attached Errata
8 sheet signed by me.
9
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25

(DATE) (SIGNATURE)

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1 WILLIAM C. KENNEDY
2 COMMONWEALTH OF VIRGINIA AT LARGE, to wit:
3 I, Karen L. Hart, Registered Merit
4 Reporter, Certified Realtime Reporter, and Notary
5 Public for the Commonwealth of Virginia at large,
6 whose commission expires September 30, 2004, do
7 certify that the aforementioned appeared before me,
8 was sworn by me, and was thereupon examined by
9 counsel; and that the foregoing is a true, correct,
10 and full transcript of the testimony adduced.
11 I further certify that I am neither related
12 to nor otherwise associated with any counsel or party
13 to this proceeding, nor otherwise interested in the
14 event thereof.
15 IN WITNESS WHEREOF, I have hereunto set my
16 hand and affixed my notarial seal this 20th day of
17 August, 2002.
18
19
20
21
22
23
24
25

Karen L. Hart, Notary Public
Commonwealth of Virginia at Large
REGISTERED MERIT REPORTER
CERTIFIED REAL-TIME REPORTER

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1 WILLIAM C. KENNEDY
2 E R R A T A S H E E T
3 IN RE: The Official Committee of Unsecured
4 Creditors of AHERF v. PricewaterhouseCoopers, LLP
5 RETURN BY: _____

6 PAGE LINE CORRECTION AND REASON

7	_____	_____	_____
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(DATE) (SIGNATURE)

69 (Pages 270 to 273)

Kirstein Dep.

Mark Kirstein

Page 1

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
& RESEARCH FOUNDATION,
Plaintiff,

vs.

Civil Action

PRICEWATERHOUSECOOPERS,
LLP,

No. 00-684

Defendant.

Videotaped Deposition of MARK D.
KIRSTEIN, called for examination under the
Applicable Rules of Federal Civil Procedure,
taken before me, Michele E. Eddy, a Registered
Professional Reporter and Notary Public in and
for the State of Ohio, pursuant to notice and
stipulations of counsel, at the offices of
Jones Day, 222 East 41st Street, Suite 400, New
York, New York, on Tuesday, the 11th day of
May, 2004, at 9:00 a.m.

- - - - -

Mark Kirstein

<p style="text-align: right;">Page 78</p> <p>1 A. Yes.</p> <p>2 Q. That is not your handwriting, is</p> <p>3 that right?</p> <p>4 A. That's correct.</p> <p>5 Q. Do you know whose it is? 10:41:53</p> <p>6 A. No, the work paper is signed off by</p> <p>7 Craig Kocak.</p> <p>8 Q. Do you know what that means as you</p> <p>9 read it today?</p> <p>10 A. I don't recall this work paper. I 10:42:05</p> <p>11 generally recall -- excuse me. I generally</p> <p>12 recall that MCP reserved -- used to estimate</p> <p>13 the reserve based on self-pay, as this says,</p> <p>14 based on the self-pay category only.</p> <p>15 Q. And MCP was one of the hospitals 10:42:26</p> <p>16 owned by AHERF at the time?</p> <p>17 A. Yes.</p> <p>18 Q. Estimating the allowance in this</p> <p>19 fashion assumes that all amounts owed by</p> <p>20 insurance or other third-party payors will 10:42:41</p> <p>21 indeed be paid; is that fair?</p> <p>22 A. No, that's not fair.</p> <p>23 MR. RYAN: Objection.</p> <p>24 Q. Why is it not fair?</p> <p>25 A. I think you used the word earlier 10:42:49</p>	<p style="text-align: right;">Page 80</p> <p>1 A. I don't recall the way they did it.</p> <p>2 Q. Have you ever heard of another</p> <p>3 client during your audit career that reserved</p> <p>4 only against self-pay balances?</p> <p>5 A. I do not, no. 10:44:09</p> <p>6 Q. Do you recall becoming concerned</p> <p>7 about this methodology for reserving for bad</p> <p>8 debts during your 1995 audit work or at any</p> <p>9 other time?</p> <p>10 A. I don't recall if it was in '95. I 10:44:23</p> <p>11 think in some year we had it in what's called</p> <p>12 the management letter, recommended that</p> <p>13 management consider changing the way that they</p> <p>14 reserve for -- or calculate or estimate their</p> <p>15 reserve for bad debts at MCP because they only 10:44:35</p> <p>16 use self-pay.</p> <p>17 Q. I'm going to ask you to reassemble</p> <p>18 that one for me.</p> <p>19 A. Okay.</p> <p>20 Q. Then I'm going to show you what I 10:45:01</p> <p>21 think will be a new exhibit, 1523.</p> <p>22 On the face page of Exhibit 1523,</p> <p>23 Mr. Kirstein, the words "critical matters" are</p> <p>24 written in the lower left-hand corner. Is that</p> <p>25 right? 10:45:45</p>
<p style="text-align: right;">Page 79</p> <p>1 the building blocks. They may have used the</p> <p>2 self-pay as one building block to estimate the</p> <p>3 reserve, but it doesn't mean that the overall</p> <p>4 reserve on the financial statements doesn't</p> <p>5 account for the other payors. 10:43:03</p> <p>6 Q. I didn't -- I don't know that my</p> <p>7 question got there. But what you have</p> <p>8 described as reserving only on self-pay</p> <p>9 amounts, that step alone assumes that all other</p> <p>10 third-party payor amounts to be received will 10:43:20</p> <p>11 indeed be received; that much is fair?</p> <p>12 A. Well, I guess I'm thinking from a</p> <p>13 financial statement perspective, and let's make</p> <p>14 sure we're clear. If in a formula you only</p> <p>15 multiplied self-pay and didn't do anything 10:43:35</p> <p>16 else, I guess theoretically in your</p> <p>17 hypothetical you would be saying, gees, the</p> <p>18 other stuff is going to be paid.</p> <p>19 But what I'm saying is if you think</p> <p>20 at a financial statement level it's possible 10:43:43</p> <p>21 that you could estimate a reserve for self-pay</p> <p>22 one way and estimate a reserve for other payors</p> <p>23 another way.</p> <p>24 Q. Do you recall that they did it in</p> <p>25 some other way? 10:44:04</p>	<p style="text-align: right;">Page 81</p> <p>1 A. Yes.</p> <p>2 Q. Do you know whose handwriting that</p> <p>3 is?</p> <p>4 A. No.</p> <p>5 Q. Do you know what critical matters 10:45:53</p> <p>6 meant? Was it a term used at Coopers & Lybrand</p> <p>7 in fiscal year 1995?</p> <p>8 A. Well, apparently if this is from</p> <p>9 1995, it was.</p> <p>10 Q. I'll represent to you that's the 10:46:04</p> <p>11 files from whence we pulled it.</p> <p>12 But my question is really, do you</p> <p>13 recall the use of that phrase at Coopers &</p> <p>14 Lybrand in 1995 or after?</p> <p>15 A. Critical matter refers generally to 10:46:14</p> <p>16 a summary of items for discussion with the</p> <p>17 partner on the engagement.</p> <p>18 And just to be clear, that's just</p> <p>19 one way -- I mean, that's kind of like a place</p> <p>20 to put certain items that you want to make sure 10:46:31</p> <p>21 get elevated to the partner level. It's not</p> <p>22 the only things you talk to the partner about.</p> <p>23 So I don't want to mislead you on that. It's a</p> <p>24 document of items that you want to make sure</p> <p>25 get elevated to the partner for discussion. 10:46:43</p>

21 (Pages 78 to 81)

Mark Kirstein

<p style="text-align: right;">Page 82</p> <p>1 MR. RYAN: If I can just note for 2 the record, Exhibit 1523 contain only the first 3 few pages of critical matters. There are other 4 pages that are critical matters in fiscal year 5 1995. 10:46:55</p> <p>6 MR. JONES: I appreciate that.</p> <p>7 Q. Mr. Kirstein, I'm now going to ask 8 you to turn to the page that you were starting 9 to, I think, read when I made you flip back.</p> <p>10 A. Okay. 10:47:08</p> <p>11 Q. It's Bates labeled 57292, headed 12 with the phrase Allegheny Health, Education and 13 Research Foundation Summary of A/R Reserve, 14 Assuming AGH Reserve Philosophy. June 30, 15 1995.</p> <p>16 I read the heading right anyway, 17 didn't I?</p> <p>18 A. On 292, yes.</p> <p>19 Q. And this document actually has some 20 handwritten notes of yours. Am I correct? 10:47:34</p> <p>21 A. Correct.</p> <p>22 Q. They're the ones that appear at the 23 base of the page start with the word note. Is 24 that right -- and start with the word note, is 25 that right? 10:47:45</p>	<p style="text-align: right;">Page 84</p> <p>1 to the typewritten note above your handwritten 2 note on the document.</p> <p>3 It reads, in at least it's first 4 few lines, "C&L assessed the adequacy of each 5 of AHERF's individual hospitals, HUH, MCPH, 10:50:36 6 SCHC, EPC and BCC A/R reserves by applying 7 AGH's reserve percentage to each aging category 8 of outpatient and inpatient receivable."</p> <p>9 I've read the first sentence right 10 anyway? 10:50:59</p> <p>11 A. Correct.</p> <p>12 Q. So my question is, I think this -- 13 you don't specifically recall or recall at all 14 being involved or learning of this assessment 15 of the adequacy of each of AHERF's individual 10:51:15 16 hospitals by comparison to AGH reserve 17 percentages as you sit here today?</p> <p>18 MR. RYAN: Objection.</p> <p>19 A. I don't specifically recall 20 performing this task that is here. 10:51:27</p> <p>21 Q. Do you recall being aware that the 22 test was performed?</p> <p>23 A. I don't recall the test. I 24 generally recall over the years, it appears to 25 be '95 into '96, discussions with management 10:51:38</p>
<p style="text-align: right;">Page 83</p> <p>1 A. Correct.</p> <p>2 Q. Could you take a moment and 3 refamiliarize yourself with the page and then 4 I'll ask you just a few questions about it.</p> <p>5 A. Great, thanks. 10:47:52</p> <p>6 Okay.</p> <p>7 Q. Does the moment you took to review 8 the document and the heading of the document in 9 particular refresh your recollection that 10 indeed in fiscal 1995 Coopers & Lybrand 10:49:15 11 performed a comparison of other AHERF 12 hospitals' accounts receivable reserve to the 13 accounts receivable reserve philosophy or 14 methodology used at AGH?</p> <p>15 A. Could you read that again, please? 10:49:35</p> <p>16 (Record read.)</p> <p>17 MR. RYAN: I'll just object to the 18 form since I don't think you ever asked the 19 witness that question before.</p> <p>20 A. It does not refresh my 10:50:07</p> <p>21 recollection, but it does appear to be an 22 analysis that C&L completed related to auditing 23 the reserves, the estimate for reserves that 24 management had estimated.</p> <p>25 Q. Let me refer you then in specific 10:50:21</p>	<p style="text-align: right;">Page 85</p> <p>1 about using a balance sheet approach to 2 estimate, I'll call it a balance sheet 3 approach, which is what AGH did, to estimating 4 their reserve for allowance for doubtful 5 accounts. 10:51:50</p> <p>6 Q. Who do you recall at AHERF that you 7 had such conversations with?</p> <p>8 A. Generally over the years it would 9 be the finance department, Dan Cancelmi, Al 10 Adamczak, Steve Spargo. 10:52:03</p> <p>11 I think I cited earlier the 12 management letter. I think -- I don't remember 13 which years, it might be '96, so I could be 14 crossing years here -- but in one of the 15 management letters, we talk about management 10:52:13 16 might want to consider looking at the way that 17 they estimate their reserves.</p> <p>18 Q. Do you recall specifically 19 discussing with Mr. Cancelmi or Mr. Adamczak or 20 anybody else at AHERF employing an AGH 10:52:22 21 methodology at other hospitals?</p> <p>22 A. I mean, I don't recall discussion 23 with those gentlemen, no.</p> <p>24 Q. The next sentence of the note I 25 just started to read says, "This reserve 10:52:44</p>

22 (Pages 82 to 85)

Mark Kirstein

<p style="text-align: right;">Page 98</p> <p>1 reserve?</p> <p>2 MR. RYAN: Objection.</p> <p>3 A. I can only tell you what it says on</p> <p>4 the work paper. I don't recall this.</p> <p>5 Q. What it says on the work paper is 11:07:32</p> <p>6 what you are referring to?</p> <p>7 A. It says it's a credit balance</p> <p>8 sitting in this account of 7.4 million dollars</p> <p>9 related to monies received for GME.</p> <p>10 Q. The account was a CRA account? 11:07:41</p> <p>11 A. Other noncurrent liabilities is not</p> <p>12 a CRA account typically.</p> <p>13 Q. I'm just reading the first sentence</p> <p>14 of the narrative. "Other noncurrent</p> <p>15 liabilities consist primarily of a CRA 11:07:52</p> <p>16 reserve." Is that right?</p> <p>17 A. Yes, I don't want to pick at words.</p> <p>18 I mean, it sounds like GME's related to CRAs,</p> <p>19 but other noncurrent liabilities is not a CRA</p> <p>20 account. That's all I'm saying. The 11:08:06</p> <p>21 description says there is a credit in this</p> <p>22 account for what appear to be CRA type of</p> <p>23 items, namely GME.</p> <p>24 Q. Do you recall reviewing this work</p> <p>25 paper and making this note? 11:08:18</p>	<p style="text-align: right;">Page 100</p> <p>1 attachments. Could you take a moment and then</p> <p>2 tell me if I'm right.</p> <p>3 A. Great, thanks.</p> <p>4 Okay. The question was?</p> <p>5 Q. It wasn't stated except for a while 11:11:34</p> <p>6 ago, so we'll try it again.</p> <p>7 This is a September 11, 1995 letter</p> <p>8 with some attachments from you to Mr. Morrison</p> <p>9 that bears your signature. Is that right?</p> <p>10 A. Correct. 11:11:47</p> <p>11 Q. And do you recall the meeting that</p> <p>12 it refers to?</p> <p>13 A. What meeting?</p> <p>14 Q. The first sentence, it says, "Bill</p> <p>15 Buettner and I met with David McConnell today 11:11:56</p> <p>16 and discussed" --</p> <p>17 A. Got you.</p> <p>18 Q. -- "among other things the amount</p> <p>19 of accounts receivable that are included in the</p> <p>20 greater than 180 day category and the related 11:12:04</p> <p>21 bad debt reserve at each of AHERF's hospitals."</p> <p>22 Do you recall that meeting?</p> <p>23 A. I do not, sir.</p> <p>24 Q. Do you have any doubt that you</p> <p>25 wrote this letter and dispatched it on or about 11:12:16</p>
<p style="text-align: right;">Page 99</p> <p>1 A. I do not, no.</p> <p>2 Q. Do you recall becoming aware that</p> <p>3 AHERF in fiscal year 1995 did what you indicate</p> <p>4 it did in the note?</p> <p>5 A. Is your question do I -- I mean, if 11:08:32</p> <p>6 you're asking do I recall management reversing</p> <p>7 4 million dollars against bad debts, no, I</p> <p>8 don't recall.</p> <p>9 Q. Do you know whether on your SUD C&L</p> <p>10 for this fiscal year took a position about this 11:08:49</p> <p>11 4 million dollar reversal --</p> <p>12 MR. RYAN: Objection to form.</p> <p>13 Q. -- and use as against bad debts?</p> <p>14 A. I don't recall what's on the '95</p> <p>15 SUD. It's here in the work papers somewhere. 11:09:05</p> <p>16 We can look at it.</p> <p>17 Q. Mr. Kirstein, I'm handing you now</p> <p>18 what has been marked in this litigation, at</p> <p>19 least, as Exhibit 1448. Apparently,</p> <p>20 interestingly enough, it was Exhibit 1 maybe in 11:09:36</p> <p>21 some other litigation.</p> <p>22 It, after you've had a chance to</p> <p>23 look at it briefly, you will tell me is a</p> <p>24 one-page letter from you to Mr. Chuck Morrison</p> <p>25 at AHERF dated September 11, 1995 with certain 11:09:50</p>	<p style="text-align: right;">Page 101</p> <p>1 September 11, 1995?</p> <p>2 A. No.</p> <p>3 Q. In it, in the second paragraph, you</p> <p>4 state that, "We believe that the reserve for</p> <p>5 accounts receivable should be enhanced and the 11:12:31</p> <p>6 methodology used to establish the reserves</p> <p>7 reviewed for future reference."</p> <p>8 Then you state the basis for your</p> <p>9 belief.</p> <p>10 "Our basis for this conclusion is 11:12:41</p> <p>11 rooted in the amount of A/R over 180 days old</p> <p>12 coupled with the reduction in the reserve as a</p> <p>13 percentage of A/R at several of the hospitals."</p> <p>14 Is that right?</p> <p>15 A. What it says? Yes. 11:12:58</p> <p>16 Q. Then you go on to write, "In order</p> <p>17 to analyze the potential adjustment, we applied</p> <p>18 the AGH reserve percentages to each of the</p> <p>19 hospitals' agings and identified what the</p> <p>20 adjustment would entail under this premise." 11:13:09</p> <p>21 Correct?</p> <p>22 A. Correct.</p> <p>23 Q. Then you say, "While this is</p> <p>24 conservative and would be slightly offset by</p> <p>25 unapplied PIP cash, we believe that it supports 11:13:17</p>

26 (Pages 98 to 101)

Mark Kirstein

<p style="text-align: right;">Page 102</p> <p>1 the conclusion that the reserves should be 2 enhanced."</p> <p>3 Is that right as well?</p> <p>4 A. Yes.</p> <p>5 Q. What did you mean by while this is 11:13:23 6 conservative, if you can recall?</p> <p>7 A. I just don't recall.</p> <p>8 Q. The support for the reduction -- 9 your statement about the reduction in the 10 reserve as a percentage of A/R at several 11:13:39 11 hospitals at least in part can be found in one 12 of the attachments which ends with the Bates 13 labeled 00987. Is that right?</p> <p>14 A. I'm sorry, what's your question?</p> <p>15 Q. Same exhibit. 11:13:53</p> <p>16 A. Okay.</p> <p>17 Q. If you refer to 00987.</p> <p>18 A. M-hm.</p> <p>19 Q. There's a table there that's headed 20 Allegheny Health, Education and Research 21 Foundation, Summary of Accounts Receivable. 22 Then I really can't read the rest of it is if 23 there is anything more on this shaded box. 24 But it appears to show the percent 25 of A/R that -- the reserve as a percentage of 11:14:16</p>	<p style="text-align: right;">Page 104</p> <p>1 don't -- I think the answer should have been to 2 your question, thinking back historically, AGH 3 was a pretty well-run hospital that we had 4 history, we, C&L, had history as to how they 5 account for how they estimate their reserves 11:15:36 6 and how they account.</p> <p>7 I generally recall, I can't 8 specifically cite a hospital or anything, that 9 as we looked at the Delaware Valley hospitals 10 and their accounting and people were leaving as 11:15:48 11 they acquired hospitals and other things that 12 were going on, that the AGH reserve percentages 13 could be used and just taking numbers and 14 moving them over here, it might not be an 15 actual one for one to Delaware Valley, so 11:16:02 16 recognizing there may be adjustments to this 17 test that we were trying to conduct.</p> <p>18 Q. That's by way of explanation of why 19 you might have written the word conservative in 20 the letter to Mr. Morrison? 11:16:15</p> <p>21 A. Right, just to clarify that while 22 you might get a table here that says A times B 23 equals C, C could be a conservative estimate 24 because there could be other things, like 25 unapplied PIP. There could be difference in 11:16:27</p>
<p style="text-align: right;">Page 103</p> <p>1 A/R at several hospitals.</p> <p>2 A. Correct.</p> <p>3 Q. In two different years, is that 4 correct, 1995 and 1996?</p> <p>5 A. Shows total A/R bad debt reserve 11:14:30 6 and a percent, yes.</p> <p>7 Q. The cumulative percent of A/R 8 against which -- I'm sorry, the percent of the 9 reserve as a percent of total A/R has gone down 10 between 1994 and 1995, from 12.6 to 12.44? 11:14:44</p> <p>11 A. Correct.</p> <p>12 Q. Is that, to the best of your 13 recollection, what you refer to in the second 14 paragraph of your letter to Mr. Morrison?</p> <p>15 A. I don't recall writing a letter, 11:15:02 16 but we do cite that there's a reduction in 17 reserve that seems reasonable.</p> <p>18 Let me touch on the conservative 19 point again. You probably wonder why I'm 20 looking at this exhibit. I just was going to 11:15:12 21 see if there's any discussion in this document.</p> <p>22 Q. Which exhibit are you referring to, 23 sir?</p> <p>24 A. 1523. I haven't read it yet. 25 Back to the conservative, I 11:15:23</p>	<p style="text-align: right;">Page 105</p> <p>1 payors, maybe, in the way that people pay. 2 Philadelphia payors versus Pittsburgh payors. 3 There could have been a lot of things that 4 changed. I just wanted to clarify that -- I 5 think I was just trying to show it's not A 11:16:36 6 times B equals C, that this is just a 7 methodology to estimate something.</p> <p>8 Q. So it may not be conservative, but 9 the conservative refers, at least to your best 10 recollection today, to the fact that you had 11:16:48 11 greater experience with a fairly well-run 12 hospital at AGH?</p> <p>13 MR. RYAN: Objection to form.</p> <p>14 Q. Is that right?</p> <p>15 A. I'm not sure I follow that, but -- 11:16:55</p> <p>16 Q. Well, why don't you just tell me 17 again why it is -- do you have any real 18 recollection today as to why you wrote the word 19 conservative in the letter?</p> <p>20 A. I don't recall writing the letter. 11:17:08 21 I'm just giving you a general recollection to 22 the view that I had during the different years 23 on the audit that --</p> <p>24 Q. Okay.</p> <p>25 A. -- things like in Philadelphia, you 11:17:17</p>

27 (Pages 102 to 105)

Mark Kirstein

<p style="text-align: right;">Page 110</p> <p>1 things being equal, that accounts over 180 days 2 are less like to be collectible than accounts 3 that had been -- that are younger? 4 A. I think I said a couple questions 5 ago, you need to know the facts and the 11:37:48 6 circumstances. 7 Q. I'm asking you to assume all the 8 facts, everything else being equal. 9 A. Sitting here right now I can't make 10 that generalization. 11:37:55 11 Q. But I assumed all other things 12 being equal, the older accounts, those over 180 13 days tend to be less collectible than accounts 14 younger than 180 days, if you assume everything 15 else equal? 11:38:05 16 A. That's reasonable. 17 Q. Mr. Kirstein, I've just handed you 18 what we've marked as Exhibit 4087 in an earlier 19 deposition. This is by way of establishing 20 some background information only. Do you 11:38:36 21 recognize these, the disk, a copy of which 22 appears as the first page of the exhibit, as 23 the kind of a disk used as a part of AHERF's 24 audit work for AHERF -- I mean C&L's audit work 25 for AHERF? 11:38:53</p>	<p style="text-align: right;">Page 112</p> <p>1 Q. And then I'm going to ask you if 2 disks in the 1995 time frame or in connection 3 with the audit were shared auditor to auditor, 4 you would exchange information sometimes on a 5 computer disk? 11:40:06 6 A. I don't recall. It seems 7 reasonable. We might have. 8 Q. The next exhibit I'm going to hand 9 you is Exhibit 4090, which itself I will 10 represent to you and to Antony and Mr. Close 11:40:23 11 has been printed from the disk marked as 12 Exhibit 4087. I'm going to give you the file 13 name so that you can refer back on Exhibit 14 4087, middle of the second page, to the file 15 name MLC, underlined BD dash or dot Sam. 11:40:39 16 A. Okay. 17 Q. That file name has been reproduced 18 as Exhibit 4090 -- 19 A. Okay. 20 Q. -- in hard copy. I hope that sort 11:40:57 21 of sets the table -- 22 A. Okay. 23 Q. -- for how we got the document and 24 why it is -- not why -- the fact that it is now 25 before you. 11:41:06</p>
<p style="text-align: right;">Page 111</p> <p>1 A. Looks to be a disk, standard three 2 and a half inch disk. 3 Q. It's got C&L up in the upper 4 right-hand margin? 5 A. Yes. 11:39:08 6 Q. Those are things that you used and 7 were familiar with in your audit of the AHERF 8 audit? 9 MR. RYAN: Objection to the time 10 frame. 11:39:17 11 Q. I'm sorry, in 1995. 12 A. I don't recall. I don't recall how 13 many disks had AHERF. We had disks that you 14 backed up your files that you created in Lotus 15 or something. 11:39:32 16 Q. That's all I'm getting at. 17 A. Yes. 18 Q. Disks were a part of a product at 19 some point? 20 A. Yes, they were. 11:39:32 21 Q. I'm going to refer you to the 22 second page of the document which has a series 23 of file names that I will represent to you were 24 produced in connection with this disk. 25 A. Okay. 11:39:47</p>	<p style="text-align: right;">Page 113</p> <p>1 A. Okay. 2 Q. My questions now are going to be 3 really about Exhibit 4090, the print of what 4 was electronic information from the disk. 5 A. Okay. 11:41:15 6 Q. The heading of the document reads, 7 "A consistent methodology for determining the 8 bad debt reserve should be established to 9 improve management's ability to monitor bad 10 debt." 11:41:27 11 Do you see that? 12 A. Yes. 13 Q. Could you read the short document, 14 and then I'll have just a few short questions 15 about it for you. 11:41:35 16 A. Okay. 17 Okay. 18 Q. Can you identify the document for 19 me? Do you know what it is? 20 A. It looks to be written -- first, 11:42:17 21 this is out of our files, right? 22 Q. Yes. Yes, it is. 23 A. I'm going to say it's a draft of a, 24 what appears to be a management letter comment 25 with the background and recommendation. I 11:42:31</p>

29 (Pages 110 to 113)

Mark Kirstein

<p style="text-align: right;">Page 114</p> <p>1 don't know if there's a subsequent draft or I</p> <p>2 don't know if this went final, but it's</p> <p>3 somewhere in the cycle of writing a management</p> <p>4 comment.</p> <p>5 Q. Do you know whether you drafted 11:42:41</p> <p>6 this or participated in the drafting of this</p> <p>7 Exhibit 4090?</p> <p>8 A. I don't recall.</p> <p>9 Q. Was it a part of your work in the</p> <p>10 1995 audit and later audits to participate in 11:42:58</p> <p>11 that process, that is, the preparation of</p> <p>12 management letters or management comment</p> <p>13 letters?</p> <p>14 A. The "you" in that is Mr. Kirstein?</p> <p>15 Q. Yes. 11:43:06</p> <p>16 A. Yes, it was.</p> <p>17 Q. You would review drafts, perhaps</p> <p>18 comment on them that were prepared by less</p> <p>19 senior individuals on the audit engagement?</p> <p>20 A. You're talking any year? 11:43:15</p> <p>21 Q. Well, in '95 and after have.</p> <p>22 A. '95, I don't recall what my role</p> <p>23 was. In '96, '97 I believe I helped -- I know I</p> <p>24 helped draft the initial version at least and</p> <p>25 had a role in the review process. 11:43:26</p>	<p style="text-align: right;">Page 116</p> <p>1 A. I don't know.</p> <p>2 Q. You don't know whether you prepared</p> <p>3 them or not?</p> <p>4 A. I don't know either way, no.</p> <p>5 Q. The note starts out by saying, 11:44:48</p> <p>6 "System-wide, AHERF had 40 million of accounts</p> <p>7 receivable older than 180 days at June 30, 1995</p> <p>8 primarily in the Delaware Valley.</p> <p>9 "During our audit, we noted that</p> <p>10 the methodology used to calculate the bad debt 11:45:03</p> <p>11 allowance was inconsistent between several</p> <p>12 AHERF hospitals.</p> <p>13 "The inconsistencies and the</p> <p>14 methodologies were especially prevalent in the</p> <p>15 Delaware Valley where the reserve percentages 11:45:16</p> <p>16 were significantly lower than those at AGH.</p> <p>17 "The variations between these</p> <p>18 entities appear to cause difficulties in</p> <p>19 analyzing the bad debt allowance which could</p> <p>20 possibly result in an inadequate reserve in 11:45:29</p> <p>21 future years."</p> <p>22 Did I read that right?</p> <p>23 A. Yes.</p> <p>24 Q. Do you know who wrote this</p> <p>25 document? 11:45:44</p>
<p style="text-align: right;">Page 115</p> <p>1 Q. That may be helpful to me. Let me</p> <p>2 make sure I understand the point.</p> <p>3 Were there people in your</p> <p>4 experience, Mr. Kirstein, in '95 and after in</p> <p>5 the AHERF audit that did the drafting in the 11:43:37</p> <p>6 first instance of management comment letters</p> <p>7 that were below in seniority than the manager</p> <p>8 level?</p> <p>9 A. Yes.</p> <p>10 Q. Then whatever those drafters put 11:43:50</p> <p>11 together was, in turn, as a matter of a process</p> <p>12 typically reviewed by managers and then</p> <p>13 ultimately reviewed by the engagement partner?</p> <p>14 A. Yes.</p> <p>15 Q. So it could be that a Mr. Kocak or 11:44:02</p> <p>16 somebody more junior to you in '95 or '96 took</p> <p>17 a first attempt at portions of a management</p> <p>18 comment letter draft?</p> <p>19 A. Yes.</p> <p>20 Q. Do you as you read this document 11:44:26</p> <p>21 today, the two paragraphs that exist on page --</p> <p>22 on Exhibit 4090, do you believe that you</p> <p>23 prepared these or that someone else prepared</p> <p>24 these, or do you have a reason for having a</p> <p>25 belief? 11:44:38</p>	<p style="text-align: right;">Page 117</p> <p>1 A. No.</p> <p>2 Q. I'm going to ask you to look back</p> <p>3 at something that we looked at very early,</p> <p>4 Exhibit 4077.</p> <p>5 A. Okay. 11:45:57</p> <p>6 Q. Which, again, for those who may be</p> <p>7 looking at this at some point in the future,</p> <p>8 was headed AHERF A/R Delaware Valley, 10 of 66.</p> <p>9 In particular, I'm going to ask you</p> <p>10 to look at Bates page that ends 963 relating to 11:46:16</p> <p>11 Allegheny General Hospital. 963.</p> <p>12 I'm going to hand you a wonderfully</p> <p>13 utilitarian yellow stickies and ask you to</p> <p>14 place it there.</p> <p>15 Could you read the heading of this 11:46:53</p> <p>16 document for us?</p> <p>17 A. AGH Allowance for Doubtful</p> <p>18 Accounts.</p> <p>19 Q. As of 6-30-95?</p> <p>20 A. Correct. 11:47:00</p> <p>21 Q. In this chart, there is a total of</p> <p>22 accounts receivable over 180 days by various</p> <p>23 payors for both inpatient and outpatient</p> <p>24 accounts at Allegheny General Hospital.</p> <p>25 Then the total allowance for those 11:47:19</p>

30 (Pages 114 to 117)

Mark Kirstein

<p style="text-align: right;">Page 122</p> <p>1 letter portion is the heading recommendation. 2 Do you see that? 3 A. Yes. 4 Q. It reads, "Due to the magnitude of 5 old accounts, we recommend that management 11:52:13 6 establish a system-wide methodology for 7 calculating the bad debt allowance using aging 8 percentages by payor based on actual historical 9 data. 10 "In addition, an allowance review 11:52:26 11 should be conducted on a periodic basis in 12 order to ensure assumptions used have not 13 changed as a result of changes in each 14 provider's environment." 15 Do you see that? 11:52:40 16 A. Yes. 17 Q. At the end it then says, "Through 18 the establishment of a consistent methodology 19 and periodic review, management will be better 20 able to analyze the bad debt allowances in the 11:52:50 21 future." Do you see that? 22 A. Yes. 23 Q. Why, if you know, was there an 24 emphasis on the magnitude of old accounts in 25 the draft? 11:53:02</p>	<p style="text-align: right;">Page 124</p> <p>1 that you use and the way that you estimate your 2 reserves, and basically that's just part of 3 their -- should become part of their control 4 environment. 5 Q. Do you recall personally having 11:54:28 6 those conversations with Mr. Cancelmi? 7 A. I can't give you a date, but, 8 generally, yes. 9 Q. You think these occurred in 1995? 10 A. I don't know if it was '95 or '96. 11:54:36 11 Q. Then just above that, you refer to 12 aging percentages based on actual historical 13 data. Why would that be important? 14 MR. RYAN: Objection. I'm not sure 15 the witness is referring to anything here. 11:55:00 16 A. I don't know if I authored the 17 document, so -- 18 Q. Do you believe that basing aging 19 percentages by payor on actual historical data 20 would be important as you sit here today? 11:55:12 21 A. As I sit here today, I think if -- 22 I think what's important is that management of 23 the organization has a reasonable basis for 24 estimating the reserve. If you're going to use 25 reserve percentages as one way to estimate 11:55:23</p>
<p style="text-align: right;">Page 123</p> <p>1 MR. RYAN: Objection. 2 A. I don't know who authored the 3 document. It just appears to me referencing 40 4 million dollars up above, that there was an 5 increase from year to year. 11:53:27 6 Q. Then why, whether you have a 7 recollection of it or not -- strike that. 8 Do you have a recollection of why 9 there was a recommendation about an allowance 10 review on a periodic basis? Do you have a 11:53:32 11 recollection as you sit here today? 12 A. My recollection generally of 13 talking to AHERF finance department about this, 14 I can't tell you it stems from this because I 15 don't know who authored this, is that we did, 11:53:51 16 we, C&L, talked to AHERF's department about 17 adopting a consistent methodology for bad debt 18 reserves, that management needs to own that. 19 In fact, I think in '95 that's when Cancelmi 20 went over there and had Robin Schaffer join and 11:54:05 21 they used to basically do a lot of the A/R 22 accounting. We talked to them about the fact 23 that that's their responsibility. You guys 24 ought to periodically look at the way that you 25 calculate bad debt reserves and the percentages 11:54:18</p>	<p style="text-align: right;">Page 125</p> <p>1 that, you ought to consider historical data. 2 You also may have other variables you want to 3 consider. 4 Q. Do you recall being frustrated or 5 concerned that AHERF was not doing the periodic 11:55:34 6 review that we just referred to of its 7 allowance, procedures and methodology? 8 A. Not that I recall. 9 Q. Do you ever recall being concerned 10 that AHERF's aging percentages were not based 11:55:48 11 on actual historical data? 12 A. I don't recall that, no. 13 Q. I'm going to ask you to reassemble 14 briefly that -- is that exhibit in your hands 15 4077? 11:56:11 16 A. Yes. 17 Q. If you could reassemble that, 18 leaving the stickers, that would be helpful. 19 And then hold before you that plus the exhibit 20 we just marked or just looked at, which was 11:56:29 21 4090. 22 And now do yet a third thing for 23 me, which is take Exhibit 7 from me, and I'm 24 going to ask you to briefly look at it and tell 25 me if you can identify it. 11:56:43</p>

32 (Pages 122 to 125)

Mark Kirstein

<p style="text-align: right;">Page 126</p> <p>1 A. Do you want me to read through the</p> <p>2 section or just tell you generally what it is?</p> <p>3 Q. Do you generally recognize the</p> <p>4 document, first?</p> <p>5 A. It appears to be a copy of the 1995 11:57:17</p> <p>6 management letter.</p> <p>7 Q. From Coopers & Lybrand to the</p> <p>8 Allegheny Health, Education and Research</p> <p>9 Foundation Board of Trustees, is that correct?</p> <p>10 A. Correct. 11:57:27</p> <p>11 Q. The kind of letter that might have</p> <p>12 been generated from draft language like that in</p> <p>13 Exhibit 4090? Though, I'm not asking you to</p> <p>14 tie the two together at this point.</p> <p>15 A. May have, yes. 11:57:37</p> <p>16 Q. I'm going to refer you to page</p> <p>17 three in the middle of the base of the pages.</p> <p>18 There's lots of numbers on here.</p> <p>19 But if you look in the middle part</p> <p>20 of the document, page three of the management 11:57:47</p> <p>21 letter, which is Exhibit 7, it refers to the</p> <p>22 deterioration of accounts receivable aging. Do</p> <p>23 you see that?</p> <p>24 A. Yes.</p> <p>25 Q. That is a part of the comments that 11:58:00</p>	<p style="text-align: right;">Page 128</p> <p>1 180 days old as of June 30, 1995."</p> <p>2 Do you see that?</p> <p>3 A. Yes.</p> <p>4 Q. The math we did a few moments ago</p> <p>5 would indicate that 36 million dollars of A/R 12:00:34</p> <p>6 was net of established reserves at year-end, if</p> <p>7 we did the math right? Do you have any reason</p> <p>8 to know why the number changed by the time it</p> <p>9 got into the management letter in final form?</p> <p>10 MR. RYAN: Objection. 12:00:58</p> <p>11 A. I do not know the genesis of the 18</p> <p>12 million dollar number in Exhibit 7. But I also</p> <p>13 can't sit here today and say that there has to</p> <p>14 be a one-for-one correlation between this work</p> <p>15 paper and this management letter. It's 12:01:28</p> <p>16 possible, again, keeping in mind that the audit</p> <p>17 focuses on accounts receivable in its totality,</p> <p>18 that there were other reserves that offset the</p> <p>19 accounts receivable and are not reflected in</p> <p>20 50969. 12:01:44</p> <p>21 Q. So, in other words, you don't know</p> <p>22 why the number is 18 million in the management</p> <p>23 comment letter as opposed to any other number,</p> <p>24 including 36 million?</p> <p>25 A. That's correct, I do not know that. 12:01:54</p>
<p style="text-align: right;">Page 127</p> <p>1 Coopers & Lybrand is providing to AHERF's</p> <p>2 board, is that right?</p> <p>3 It is not yet the recommendation or</p> <p>4 the response, but that's the comment?</p> <p>5 A. Can I read this for a second? 11:58:12</p> <p>6 Q. Sure.</p> <p>7 A. Okay. The question was?</p> <p>8 Q. The comment or, rather, that the</p> <p>9 text that appears after deterioration of</p> <p>10 accounts receivable aging, which is underlined 11:59:40</p> <p>11 in bold heading is Coopers & Lybrand's comment</p> <p>12 as opposed to a recommendation or the</p> <p>13 management's response. Is that fair to say?</p> <p>14 A. I would say that Coopers & Lybrand</p> <p>15 piece is that paragraph plus the 11:59:53</p> <p>16 recommendation.</p> <p>17 Q. So the two together?</p> <p>18 A. Correct.</p> <p>19 Q. The piece directly beneath</p> <p>20 deterioration of accounts receivable agings 12:00:04</p> <p>21 reads, "During fiscal year 1995, the accounts</p> <p>22 receivable agings deteriorated from those which</p> <p>23 existed at June 30, 1994, approximately 18</p> <p>24 million of Delaware Valley Hospital accounts,</p> <p>25 net of established reserves, are greater than 12:00:21</p>	<p style="text-align: right;">Page 129</p> <p>1 Q. The last line of the portion of the</p> <p>2 management comment that is headed deterioration</p> <p>3 of accounts receivable reads, "While the</p> <p>4 established reserves appear reasonable, it</p> <p>5 appears that management should increase its 12:02:12</p> <p>6 efforts to pursue collection of these aged</p> <p>7 accounts." Is that right?</p> <p>8 A. That's what it says, correct.</p> <p>9 Q. At the end of your audit work for</p> <p>10 fiscal year 1995, that is, Mr. Kirstein's audit 12:02:22</p> <p>11 work, did you believe that sentence to be true?</p> <p>12 A. I don't know what I believed at the</p> <p>13 end of 1995. I don't have any reason to</p> <p>14 disagree with that statement, but I also,</p> <p>15 sitting here today, don't recall what 12:02:45</p> <p>16 discussions I was having in 1995.</p> <p>17 I can tell you that as part of our</p> <p>18 audit efforts we got ourselves comfortable and</p> <p>19 satisfied with our audit objectives and the net</p> <p>20 realizable value of accounts receivable. 12:02:59</p> <p>21 Q. You said you didn't know the</p> <p>22 genesis of the 18 million dollar number for the</p> <p>23 Delaware Valley accounts receivable net of</p> <p>24 established reserves greater than 180 days.</p> <p>25 My question now is, do you recall 12:03:13</p>

33 (Pages 126 to 129)

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PENNSYLVANIA

THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
ALLEGHENY HEALTH, EDUCATION
& RESEARCH FOUNDATION,
Plaintiff,

vs.

PRICEWATERHOUSECOOPERS,
LLP,

Defendant.

Civil Action
No. 00-684

Continued Videotaped Deposition of
MARK D. KIRSTEIN, called for examination under
the Applicable Rules of Federal Civil
Procedure, taken before me, Michele E. Eddy, a
Registered Professional Reporter and Notary
Public in and for the State of Ohio, pursuant
to notice and stipulations of counsel, at the
offices of Jones Day, 222 East 41st Street,
Suite 400, New York, New York, on Wednesday,
the 12th day of May, 2004, at 9:00 a.m.

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VOLUME II

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Mark Kirstein

Volume 2

<p style="text-align: right;">Page 318</p> <p>1 Q. It's marked completed by 2 Mr. Christian? 3 A. Yes. 4 Q. Do the schedules that follow in 5 this work paper show a balance sheet approach 09:45:08 6 to reserving for bad debt as you've referred to 7 it? 8 A. Can I take a minute and -- 9 Q. You may. 10 A. -- review it? 09:45:22 11 Yes, I believe it does. 12 Q. I'm going to refer you now in 13 particular to page 1098 of the Exhibit 4387 and 14 to the note at the base of the page which I 15 think reads, "C&L does not propose an entry for 09:46:19 16 the difference between the two reserve 17 calculations because C&L has prepared an 18 additional analysis for the bad debt reserve 19 using AGH's reserve percentages and the client 20 has booked an additional reserve." 09:46:35 21 Did I read that accurately? 22 A. Yes. 23 Q. Did you ever see the additional 24 analysis for the bad debt reserve using AGH's 25 reserve percentages to which this note refers? 09:46:48</p>	<p style="text-align: right;">Page 320</p> <p>1 A. That's the mathematical difference 2 from that on this schedule. 3 Q. I'm handing you now Exhibit 4023. 4 I know you've been anticipating it. It is a 5 work paper from Coopers & Lybrand's audit file 09:48:49 6 for -- for the audit pertaining to the 6-30-96 7 financial statements at AHERF headed with the 8 name Bucks Inpatient Bad Debt Analysis? 9 A. Correct. 10 Q. And Bucks was indeed a Delaware 09:49:00 11 Valley Obligated Group hospital, as you recall 12 it? 13 A. At June 30th. 14 I assume when you're asking that 15 you mean June 30th because there was no 09:49:19 16 obligated group prior to sometime in June of 17 '96. 18 Q. That's what I mean. 19 A. Just being clear. 20 Q. It is, again, another work paper 09:49:19 21 that is marked as reviewed by you and as last 22 modified by you? 23 A. Yes. 24 Q. And Mr. Christianson, at least by 25 the notation on the document, apparently 09:49:30</p>
<p style="text-align: right;">Page 319</p> <p>1 A. I don't recall seeing that, but -- 2 as I said earlier, I don't know if that's what 3 I would have expected. 4 I do recall myself, Bill Buettner 5 and Brian Christian reviewing accounts 09:47:05 6 receivable over a two-day period at the end of 7 the audit that resulted in discussions with 8 management about them booking the additional 9 reserve that we've talked about. 10 Q. We'll come to that. 09:47:16 11 A. Okay. 12 Q. Pointing you directly above the 13 note, there are two phrases and two sums and 14 then a difference. Reserve using final billed 15 aging with a roughly 15.058 million dollar 09:47:33 16 amount and then reserve using discharge date 17 with a roughly 15.639 reserve amount. 18 Do you see those? 19 A. Yes. 20 Q. And then the difference is roughly 09:47:49 21 \$580,000, is that right? 22 A. Correct. 23 Q. That is a difference generated from 24 the methodology change that we discussed 25 yesterday, as you understand it, am I right? 09:48:03</p>	<p style="text-align: right;">Page 321</p> <p>1 completed the work paper, is that right? 2 A. Christian, but yes. 3 Q. Did I use an S, an extra S? 4 A. You called him Christianson. 5 Q. I'm sorry. 09:49:39 6 A. He'll forgive you. 7 Q. I apologize to Mr. Christian in 8 absentia. 9 I'm going to flip you -- or ask you 10 to flip with me to the Bates label page ending 09:49:50 11 with the number 993. 12 A. Mind if I peruse it briefly? 13 Q. Please, go ahead. 14 A. Okay, you want me at 993? 15 Q. Yes, please. 09:50:37 16 Again we have the same difference 17 calculated for Bucks, that is the reserve using 18 the final billed aging and the reserve using 19 the discharge date, am I right, the same kind 20 of calculation? 09:50:49 21 A. The same kind of calculation. 22 Q. We have indeed the same note which 23 reads, "Although there is a difference between 24 the reserves because of the change in aging 25 methodology, C&L does not propose an entry. 09:51:02</p>

12 (Pages 318 to 321)

Mark Kirstein

Volume 2

<p style="text-align: right;">Page 322</p> <p>1 C&L has prepared an additional analysis that 2 uses AGH reserve percentages and the client has 3 booked" additional reserve -- "an additional 4 reserve for bad debt." Is that right? 5 A. Yes. 09:51:14 6 Q. Have I read that accurately? 7 A. Yes. 8 Q. I will represent to you that we 9 have a number of additional work papers that 10 relate to St. Chris and other Delaware Valley 09:51:24 11 Obligated Group hospitals at 6-30-96 that do 12 not include such a note, and as we are going to 13 be together a number of hours more, I didn't 14 think it necessary to show them to you. 15 Do you have any idea why those 09:51:40 16 hospitals would not have the same note in their 17 schedules of similar substance? 18 MR. RYAN: Objection to the lack of 19 foundation. 20 A. I don't recall a reason. 09:51:52 21 MR. JONES: Let's take a morning 22 break here. 23 THE VIDEOGRAPHER: Off the record 24 at 9:52. 25 (Recess had.)</p>	<p style="text-align: right;">Page 324</p> <p>1 A. Correct. 2 Q. Again, it is a document that has 3 been marked as reviewed and last modified by 4 you? 5 A. Correct. 10:15:22 6 Q. And completed by Mr. Christian? 7 A. Yes. 8 Q. Can you generally describe what 9 this work paper is for us? 10 A. Can I take a look at it, please? 10:15:22 11 Q. Yes. 12 A. It can't get any smaller, I know 13 that. 14 It appears to be a balance sheet 15 approach to estimating a reserve that 10:15:22 16 management completed for AGH as of June 30th, 17 1996. 18 Q. Do you recall seeing the document 19 before today? 20 A. No. 10:15:23 21 Q. I'm going to ask you to flip back 22 with me to Exhibit 4387, which is I believe a 23 set of schedules that we've looked at earlier 24 today for Hahnemann University Hospital. 25 Have you got that one in front of 10:15:23</p>
<p style="text-align: right;">Page 323</p> <p>1 Q. Mr. Kirstein, I'm going to hand you 2 back just for a moment Exhibit 4023, the one 3 that we were referring to when we took our 4 morning break, and just ask you if the note on 5 page 993, which starts "although there is a 10:15:20 6 difference between the reserves" was drafted in 7 the first instance by you? 8 A. Your question is did I draft it? 9 Q. Yes. 10 A. I don't recall. 10:15:20 11 Q. Do you know who did draft it? 12 A. No. I told you Brian Christian did 13 the detail work. That would be my expectation 14 that he did, but that doesn't mean that he did. 15 I just don't recall. 10:15:21 16 Q. Mr. Kirstein, I've now handed you 17 Exhibit 1520. Do you recognize this document 18 as another work paper relating to the June 30, 19 '96 -- or the audit of the January 30, '96 20 financial statements at AHERF with the name 10:15:21 21 Inpatient and Outpatient Bad Debt Reserve 22 Analysis? 23 A. Yes. 24 Q. It refers in particular to 25 Allegheny General Hospital, is that correct? 10:15:22</p>	<p style="text-align: right;">Page 325</p> <p>1 you? 2 A. Yes. 3 Q. Keeping the AGH schedule, Exhibit 4 1520, nearby, would you look with me at page 5 ending 1101 of Exhibit 4387? That's 1101. 10:15:23 6 A. Okay. 7 Q. What do we have presented here on 8 this page in the Hahnemann University 9 schedules? 10 A. That looks to be reserve 10:15:24 11 percentages by aging category by payor. 12 Q. Do you know who developed these 13 percentages? 14 A. I don't recall, but I believe 15 management provided this information to Coopers 10:15:24 16 & Lybrand, so someone at AHERF. 17 Q. Do you know what information they 18 used to develop the percentages? 19 A. You would have to ask management 20 that. 10:15:24 21 Q. Did you ask management that? 22 A. I don't recall specifically asking 23 that. 24 Q. Do you know if anybody at Coopers & 25 Lybrand did? 10:15:24</p>

13 (Pages 322 to 325)

Mark Kirstein

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<p style="text-align: right;">Page 346</p> <p>1 referred to at year-end?</p> <p>2 MR. RYAN: Objection to form.</p> <p>3 A. I think this is one factor that was</p> <p>4 considered, keeping in mind that 17.5 million</p> <p>5 dollar adjustment is the result of C&L 10:40:19</p> <p>6 conducting our audit procedures, not just on</p> <p>7 these reserve tables, but all the other audit</p> <p>8 procedures we've talked about, like subsequent</p> <p>9 cash and the analytics and bad debt reserves</p> <p>10 and sitting down and looking at it 10:40:35</p> <p>11 collectively. So looking at the control issues</p> <p>12 we were aware of, looking at the audit testing,</p> <p>13 looking at the information we had in front of</p> <p>14 us. And this would be one piece of information</p> <p>15 that we were aware of at that time. 10:40:43</p> <p>16 Q. Do you recall ever putting a number</p> <p>17 to it, though?</p> <p>18 A. To what? What's the "it"?</p> <p>19 Q. To the MCPH/EPPI --</p> <p>20 A. Okay. 10:40:53</p> <p>21 Q. -- self pay reservation that we've</p> <p>22 just been discussing. Do you ever remember</p> <p>23 putting a number to that that was then included</p> <p>24 in some set of numbers that added to 17 or 17.5</p> <p>25 million dollars? 10:41:07</p>	<p style="text-align: right;">Page 348</p> <p>1 A. I'd call it a fact, not a</p> <p>2 phenomenon, yes.</p> <p>3 Q. Do you recall specific</p> <p>4 conversations with Mr. Buettner about this</p> <p>5 topic? 10:42:57</p> <p>6 A. I don't recall specific</p> <p>7 conversations, but I've told you, as I said a</p> <p>8 couple questions ago, the audit team, me</p> <p>9 included and Bill Buettner, were aware of</p> <p>10 this -- were aware of the reserve methodology, 10:43:07</p> <p>11 I believe at least in '95 and definitely in</p> <p>12 '96.</p> <p>13 - - - - -</p> <p>14 (Thereupon, Deposition Exhibit 4388</p> <p>15 was marked for purposes of</p> <p>16 identification.)</p> <p>17 - - - - -</p> <p>18 Q. Mr. Kirstein, we've just handed you</p> <p>19 Exhibit 4388, another work paper related to</p> <p>20 MCPH and its bad debt reserve, at least by 10:43:48</p> <p>21 name. Can you take a minute to review the work</p> <p>22 paper and then we'll have a few questions.</p> <p>23 A. Okay.</p> <p>24 Okay.</p> <p>25 Q. This is a document that includes 10:44:31</p>
<p style="text-align: right;">Page 347</p> <p>1 A. No, I don't recall putting a number</p> <p>2 to that, but I don't think that was the</p> <p>3 objective. Again, the 17.5, as I recall it, is</p> <p>4 the result of dialogue with C&L and management</p> <p>5 as to what we think might be a reasonable 10:41:21</p> <p>6 estimate for their reserve for bad debts to</p> <p>7 assess their accounts in net realizable value.</p> <p>8 Q. I'm going to ask you to flip back</p> <p>9 to 4201. I believe you have it. It was the</p> <p>10 AHERF bullet points with lots of handwriting 10:42:03</p> <p>11 that I think we attributed to Mr. Buettner.</p> <p>12 It's the next one. There we go, at</p> <p>13 least that looks like it from here.</p> <p>14 A. Okay, I think that's it.</p> <p>15 4201? 10:42:15</p> <p>16 Q. Yes.</p> <p>17 A. Got it.</p> <p>18 Q. I'm going to direct your attention</p> <p>19 now on Exhibit 4201, Mr. Kirstein, to the sixth</p> <p>20 item in Mr. Buettner's list. It is indeed 10:42:31</p> <p>21 headed MCPH. Can you read the note for me?</p> <p>22 A. "Aging must be revised, not</p> <p>23 included for third-party billings."</p> <p>24 Q. That's the same phenomenon we've</p> <p>25 just been discussing? 10:42:46</p>	<p style="text-align: right;">Page 349</p> <p>1 the letters in its -- on its face page, PBC.</p> <p>2 In audit speak, that means prepared by client?</p> <p>3 A. Correct.</p> <p>4 Q. Do you recall reviewing this</p> <p>5 schedule in connection with your work on the 10:44:43</p> <p>6 AHERF audit for 1996?</p> <p>7 A. No, I do not.</p> <p>8 Q. Do you know how this schedule</p> <p>9 works?</p> <p>10 A. I haven't looked at it until you 10:44:51</p> <p>11 just handed it to me, so no.</p> <p>12 Q. Do you recall seeing it at any</p> <p>13 time?</p> <p>14 A. I don't recall seeing it.</p> <p>15 Q. Handing you now what we've marked 10:45:40</p> <p>16 as Exhibit 4028, do you recall seeing this</p> <p>17 document before today? It is a work paper that</p> <p>18 by name refers to EPPI bad debt reserve, client</p> <p>19 methodology.</p> <p>20 A. I don't recall seeing it prior to 10:46:00</p> <p>21 today.</p> <p>22 Q. Do you know what the notation on</p> <p>23 the second page means?</p> <p>24 The document is marked as reviewed</p> <p>25 by you and last modified by you, is that right? 10:46:14</p>

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<p style="text-align: right;">Page 350</p> <p>1 A. Correct.</p> <p>2 Q. On the second page, the notation</p> <p>3 next to the total reserve amount at EPPI has a</p> <p>4 figure of 1.2 million and change and then a</p> <p>5 figure in the right-hand margin. Is that a 10:46:28</p> <p>6 work paper number, to your recollection, or is</p> <p>7 that some adjustment to the total?</p> <p>8 A. You mean the 53-157?</p> <p>9 Q. Yes.</p> <p>10 A. I think that's a reference to work 10:46:41</p> <p>11 paper 53-157.</p> <p>12 Q. Mr. Kirstein, we're handing you now</p> <p>13 Exhibit 1075, which is a working paper with the</p> <p>14 name MCPH, East Falls, Inpatient Bad Debt</p> <p>15 Analysis, 6-30-96 Using HUH Methodology. 10:47:18</p> <p>16 Did I at least read the name right?</p> <p>17 A. Yes.</p> <p>18 Q. I'm sorry, there are a number of</p> <p>19 work papers here attached, but that's at least</p> <p>20 the first one. They're combined into one 10:47:35</p> <p>21 document.</p> <p>22 A. I'm sorry?</p> <p>23 Q. I was informing you that if you</p> <p>24 take a moment to review the document, as I'm</p> <p>25 going to ask you to, you'll see that there are 10:47:43</p>	<p style="text-align: right;">Page 352</p> <p>1 Q. The inpatient -- what is it that</p> <p>2 these sets of schedules attempt to accomplish,</p> <p>3 as you understand them?</p> <p>4 A. They appear to be schedules</p> <p>5 prepared by AHERF management to estimate what 10:50:05</p> <p>6 the reserve may be at the hospitals, MCP and</p> <p>7 EPPI, using a balance sheet approach, balance</p> <p>8 sheet methodology like we've talked about</p> <p>9 earlier today.</p> <p>10 Q. And, in fact, it calculates -- the 10:50:23</p> <p>11 reserve calculated for inpatients at page</p> <p>12 ending 181 is roughly 8.5 million dollars?</p> <p>13 A. That's what it says, yes.</p> <p>14 Q. The reserve for outpatient accounts</p> <p>15 at page 185 is roughly 8.9 million dollars? 10:50:44</p> <p>16 A. Correct.</p> <p>17 Q. And the -- that is -- those are</p> <p>18 both at MCPH, right?</p> <p>19 A. I think so. Hold on. Yes.</p> <p>20 Q. And the reserve for accounts at 10:50:58</p> <p>21 EPPI, E P P I, Eastern Pennsylvania Psychiatric</p> <p>22 Institute, is roughly 4.2 million dollars?</p> <p>23 A. Correct.</p> <p>24 Q. I'll represent to you that those</p> <p>25 total to more than 21 million dollars. 10:51:23</p>
<p style="text-align: right;">Page 351</p> <p>1 two or three documents here combined into one</p> <p>2 set of work papers.</p> <p>3 A. Okay.</p> <p>4 Q. The working paper names appear to</p> <p>5 be similar. For instance, if you skip to page 10:47:52</p> <p>6 1184, you'll see the working paper name MCP</p> <p>7 East Falls Outpatient Bad Debt Analysis 6-30-96</p> <p>8 Using HUH Methodology.</p> <p>9 A. Correct.</p> <p>10 Q. So if you'll take a moment to 10:48:06</p> <p>11 familiarize yourself with the document.</p> <p>12 A. Okay.</p> <p>13 Q. Do you recall seeing this document</p> <p>14 before today?</p> <p>15 A. No, I do not. Well, you know, 10:49:13</p> <p>16 sometime in prep I did see. I don't know if it</p> <p>17 was all three of them. I've seen something</p> <p>18 related to using the Hahnemann HUH methodology</p> <p>19 sometime during prep.</p> <p>20 Q. It may be one of these documents? 10:49:25</p> <p>21 A. It's one of these documents, I</p> <p>22 don't know which one.</p> <p>23 Q. It again has the heading PBC at</p> <p>24 least on the first page?</p> <p>25 A. Correct. 10:49:33</p>	<p style="text-align: right;">Page 353</p> <p>1 I'm going to ask you now to flip</p> <p>2 back to the client work papers that we just</p> <p>3 marked for EPPI and MCPH and ask you to tell me</p> <p>4 the reserve that they generate --</p> <p>5 A. Wait. 10:51:45</p> <p>6 Q. -- for MCPH and EPPI.</p> <p>7 A. But why are you calling these</p> <p>8 client work papers? They all have PBC, so</p> <p>9 they're all prepared by the client.</p> <p>10 Q. I understand. I just meant to 10:51:53</p> <p>11 refer you back to the prior two exhibits. I</p> <p>12 wasn't making a particular -- noting for</p> <p>13 particular importance the phrase client work</p> <p>14 paper.</p> <p>15 A. But that does mean something to an 10:52:03</p> <p>16 auditor. Dan Cancelmi and Schaffer and them</p> <p>17 prepared them and we just audit them, okay?</p> <p>18 Q. I understand your position. I</p> <p>19 guess I just want to make sure we've got the</p> <p>20 right exhibit numbers. 10:52:16</p> <p>21 Exhibit 4388 generates a reserve</p> <p>22 calculation of a little more than 2 million</p> <p>23 dollars at MCPH. And Exhibit 4028 generates a</p> <p>24 reserve calculation at EPPI at a little over</p> <p>25 1.2 million dollars. Am I right? Maybe I'm 10:52:34</p>

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<p style="text-align: right;">Page 354</p> <p>1 not. Did I read the wrong number?</p> <p>2 A. 1.2 is right.</p> <p>3 Q. Yes, the 1.2 is right.</p> <p>4 A. What did you say for the other one?</p> <p>5 Q. Why don't you tell me what the 10:52:47</p> <p>6 reserve is that's calculated.</p> <p>7 A. Let me see if I can find it.</p> <p>8 I don't know, is it the total on</p> <p>9 1196 as 2.9?</p> <p>10 Q. That's the number. 2.99? 10:53:06</p> <p>11 A. You're asking me to authenticate</p> <p>12 the document?</p> <p>13 Q. No, I'm asking you --</p> <p>14 A. That's a number that's there. I</p> <p>15 mean, it says total reserve. I think that's 10:53:12</p> <p>16 what it reads. It's hard to read. 2.936,</p> <p>17 2.930, something like that.</p> <p>18 Q. That's the number I want you to</p> <p>19 tell me.</p> <p>20 That's the number at which 10:53:21</p> <p>21 hospital?</p> <p>22 MR. RYAN: Objection.</p> <p>23 A. MC -- the schedule is labeled</p> <p>24 Medical College. MCP.</p> <p>25 Q. The exhibit number is? 10:53:28</p>	<p style="text-align: right;">Page 356</p> <p>1 that they age using self pay accounts and</p> <p>2 recommending that they should consider using</p> <p>3 balance sheet methodology similar to the other</p> <p>4 hospitals.</p> <p>5 Q. Let me ask you to flip to, in 10:55:09</p> <p>6 Exhibit 1075, page 1191. Do you see the</p> <p>7 outpatient reserve figure there?</p> <p>8 A. Yes.</p> <p>9 Q. Generated from the Hahnemann</p> <p>10 University comparison of 4.2 million dollars? 10:55:32</p> <p>11 A. Yes.</p> <p>12 Q. I'm sorry, is that EPPI?</p> <p>13 A. Yes, this is an EPPI schedule.</p> <p>14 Q. On 1185 of the same exhibit, 1075,</p> <p>15 we have an 8.9 million dollar figure for MCPH 10:56:05</p> <p>16 outpatient accounts. Is that right?</p> <p>17 A. Yes.</p> <p>18 Q. Do you recall making any comparison</p> <p>19 between any of these Hahnemann methodology</p> <p>20 generated numbers and any of the numbers 10:56:36</p> <p>21 generated by the other -- other numbers</p> <p>22 generated by the client at MCPH and EPPI?</p> <p>23 A. Do I recall doing that?</p> <p>24 Q. Yes.</p> <p>25 A. No. 10:56:46</p>
<p style="text-align: right;">Page 355</p> <p>1 A. 4388.</p> <p>2 Q. The 1.2 million is at EPPI?</p> <p>3 A. Correct.</p> <p>4 Q. And the exhibit number is?</p> <p>5 A. 4028. 10:53:36</p> <p>6 Q. Do you recall discussing this</p> <p>7 difference, that is, the difference between the</p> <p>8 21 million dollar figure generated from the HUH</p> <p>9 methodology or the Hahnemann University</p> <p>10 methodology and the figures generated in the 10:53:53</p> <p>11 two work papers we just mentioned, the 2.9</p> <p>12 million dollar figure and the 1.2 million</p> <p>13 dollar figure?</p> <p>14 MR. RYAN: Objection to the lack of</p> <p>15 foundation that this is an appropriate 10:54:10</p> <p>16 comparison.</p> <p>17 Q. Do you recall discussing the</p> <p>18 difference in the figures generated?</p> <p>19 A. With whom?</p> <p>20 Q. With anyone during your audit work 10:54:24</p> <p>21 in connection with AHERF in fiscal year -- for</p> <p>22 fiscal year 1996.</p> <p>23 A. No.</p> <p>24 As I said earlier, I generally</p> <p>25 recall discussing with management the matter 10:54:27</p>	<p style="text-align: right;">Page 357</p> <p>1 Q. Do you recall being concerned about</p> <p>2 or having discussions with anyone about the</p> <p>3 outcome of any such comparison?</p> <p>4 A. No. I mean, what I recall is that</p> <p>5 it was generally understood that MCP and EPPI 10:57:00</p> <p>6 used the same pay aging.</p> <p>7 I recall that management, finance,</p> <p>8 Dan Cancelmi and Robin Schaffer and others</p> <p>9 monitored the accounts receivable on a regular</p> <p>10 basis. They were aware of different issues as 10:57:12</p> <p>11 well. And I was aware that we conducted our</p> <p>12 audit to try to assess the net realizable value</p> <p>13 of the accounts receivable as a whole, not line</p> <p>14 by line, payor by payor.</p> <p>15 Q. Do you recall advising that such a 10:57:32</p> <p>16 comparison be made, either your colleagues or</p> <p>17 anyone at AHERF?</p> <p>18 A. No. I mean, I've told you a couple</p> <p>19 times I recall discussions with AHERF finance</p> <p>20 that they should consider changing the way that 10:57:46</p> <p>21 they calculate their reserve estimate. It's</p> <p>22 not my job to tell them what they should do on</p> <p>23 a daily basis, but I also know that Dan</p> <p>24 Cancelmi and Robin Schaffer came from an</p> <p>25 accounting background and Dan used to audit 10:58:02</p>

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<p style="text-align: right;">Page 358</p> <p>1 with us. So he's a smart guy, too. He knows 2 how to account for reserves and he can do 3 whatever analysis he wanted to do to close his 4 books. That's his job. 5 Q. Do you know why the comparison with 10:58:14 6 the HUH methodology with the 8 million dollar 7 sum, the 8.5 million dollar sum, the 8.5 8 million dollar sum, the 8.9 million dollar sum, 9 the 4.3 million dollar sum, all of which total 10 21 million dollars or a little more than that, 10:58:28 11 were included in the work papers? 12 A. I don't recall why they were 13 included in the work papers. Earlier we talked 14 that generally, I think you showed me some 15 documents that we anticipated wanting to look 10:58:42 16 at the reserves from using a balance sheet 17 approach, and that appears to be what this is. 18 So that's a possible explanation for why 19 they're in the work papers. 20 MR. JONES: Let's take our next 10:58:56 21 break here. 22 THE VIDEOGRAPHER: Off the record 23 at 10:59. This is the end of videotape number 24 one, volume two. 25 (Recess had.)</p>	<p style="text-align: right;">Page 360</p> <p>1 during the year 1996 audit work for AHERF? 2 A. It's a work paper in the accounts 3 receivable work. I can't sit here today and 4 tell you I saw it. 5 Q. I'm asking, though, by virtue of 11:17:52 6 the fact that the computer system has marked 7 you as having reviewed the document and having 8 last modified it, do you doubt now that you did 9 see it during that time period? 10 A. The only reason I -- if you 11:18:04 11 understand what reviewed means -- I mean, I 12 reviewed the entire accounts receivable area. 13 This is certainly in there, it was available 14 for me to review. I don't recall if I saw this 15 specific document or not. 11:18:15 16 Q. Does the last modified by category, 17 which has your name next to it, indicate to you 18 that you actually did open up the document and 19 look at it? 20 A. No, not necessarily. We talked 11:18:26 21 yesterday how if you checked the reviewed, it 22 could -- it shows as modified. 23 Q. That could be the case? 24 A. It could be, yes. 25 Q. My question now is, having had a 11:18:37</p>
<p style="text-align: right;">Page 359</p> <p>1 - - - - - 2 (Thereupon, Deposition Exhibit 4389 3 was marked for purposes of 4 identification.) 5 - - - - - 11:14:19 6 THE VIDEOGRAPHER: On the record at 7 11:16. This is videotape number two, volume 8 two. 9 Q. Mr. Kirstein, we've just handed you 10 a new exhibit, Exhibit 4389, which starts with 11:16:23 11 the Bates label CL001200. And it is a working 12 paper headed Reserve for Bad Debts 13 Reconciliation dash MCP and EPPI for year-end 14 6-30-96. Is that correct? 15 A. Yes. 11:16:46 16 Q. Would you take a moment to review 17 this document, and then I'll have a very few 18 questions about it for you. 19 A. Okay. 20 Okay. 11:17:31 21 Q. I note on the face page that the 22 document is marked as reviewed by you and last 23 modified by you. Is that right? 24 A. Yes. 25 Q. Do you have any doubt you saw it 11:17:38</p>	<p style="text-align: right;">Page 361</p> <p>1 chance to look at it, do you believe you've 2 seen it before today? 3 A. I don't recall. 4 Q. Do you recognize what kind of work 5 paper it is? 11:18:49 6 A. What do you mean by that? 7 Q. Can you describe -- is this a bad 8 debt roll-forward or a series of them? 9 A. I've heard that term used and this 10 looks similar to a bad debt roll-forward, yes. 11:19:07 11 Q. I'm going to ask you to turn to 12 page 1021, which is headed Allegheny University 13 Hospitals East Falls, formerly NCC, Inpatient. 14 Do you see that? 15 A. Yes. 11:19:29 16 Q. It says, "Summary of reserves for 17 bad debts." Is that right? 18 A. Yes. 19 Q. And MCC is what -- the hospital 20 we've been referring to as MCPH as well, 11:19:37 21 correct? 22 A. I think that's right, yes. 23 Q. This schedule or roll-forward 24 appears to show both a calculated reserve 25 amount and an adjusted ending balance in the 11:19:48</p>

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<p style="text-align: right;">Page 362</p> <p>1 reserve in two columns on the right-hand side 2 of the page; is that right? 3 A. That's what those are titled, yes. 4 Q. The calculated reserve for MCC or 5 MCPH inpatient appears to have been 2.9 11:20:05 6 million. And the actual amount in the ending 7 balance in the reserve account appears to be 8 2.85 million or 2.86 million. Is that right? 9 A. Yes. 10 Q. I'm going to ask you to flip the 11:20:20 11 page to 1202. And this appears to be the 12 similar schedule for East Falls or EPPI, E P P 13 I. Is that right? 14 A. Yes. 15 Q. And it notes a calculated reserve 11:20:32 16 amount of 1.2 million dollars. 17 A. Right. 18 Q. And an actual or ending balance in 19 the reserve account of a little less than 20 \$500,000; is that right? 11:20:45 21 A. 478,000, yes. 22 Q. Then finally on the last page of 23 the document, 203, we have the same or similar 24 schedule for East Falls, formerly MCC, 25 outpatient with a calculated reserve of 2.47 11:21:01</p>	<p style="text-align: right;">Page 364</p> <p>1 earlier as to what they were geared towards in 2 terms of auditing the net realizable value. 3 Q. Do you recall ever discussing the 4 15 million dollar difference with anyone? 5 A. No. I'm not sure that's something 11:22:38 6 that was within what we were trying to 7 accomplish. 8 Q. Do you recall ever learning that 9 anyone proposed a 15 million dollar adjustment 10 or roughly 15 million dollar adjustment to the 11:22:48 11 bad debt reserve at EPPI and MCC or MCPH at any 12 time during your 1996 work? 13 A. I don't recall. 14 Q. Do you recall whether this 15 15 million dollar difference was one of the 11:23:12 16 building blocks that led to the 17.5 million 17 dollar proposed adjustment? 18 MR. RYAN: Objection. 19 A. Yes, I don't view -- I follow your 20 math. I don't view it as a difference. I 11:23:27 21 mean, they're two different calculations that 22 management provided or -- let me finish -- 23 management did to estimate what they wanted to 24 record as a reserve. So that is to the first 25 point. 11:23:41</p>
<p style="text-align: right;">Page 363</p> <p>1 million dollars. 2 A. Correct. 3 Q. And an ending balance of 3.2 4 million dollars. 5 A. Yes. 11:21:11 6 Q. If you sum those actual figures 7 together, that is, the amount of booked bad 8 debt reserve for each of these three schedules, 9 or reflected on each of these three schedules, 10 the 2.85 million dollar figure, the \$478,000 11:21:33 11 figure and the 3.15 million dollar figure, I 12 will represent to you that you get about 6.5 13 million dollars. 14 A. Okay. 15 Q. That amount is roughly 15 million 11:21:46 16 dollars less than the 21 million dollar and 17 change figure that was generated from the 18 Hahnemann University reserve calculation at 19 MCP/EPPI. 20 Are you following my math? 11:22:07 21 A. Yes. 22 Q. Do you recall ever becoming aware 23 of that disparity or that difference? 24 A. No. But that goes back to the 25 scope of our audit procedures that we discussed 11:22:18</p>	<p style="text-align: right;">Page 365</p> <p>1 To the second point, I think I've 2 said a couple of times, all of these factors 3 were considered in coming up to our conclusion, 4 C&L's conclusions related to the accounts 5 receivable area. And clearly the MCP using 11:23:54 6 reserve methodology based on the self pay was 7 one of the factors that we were aware of. 8 Q. But my question was a little more 9 precise. Using the word difference only meant 10 in the mathematical sense, one figure less 11:24:07 11 another leads to a difference. 12 A. Okay. 13 Q. All I'm getting at now is do you 14 specifically recall that as a part of your 15 two-day meeting with Mr. Buettner or in some 11:24:15 16 other way that you used a 15 million dollar 17 figure in round numbers as a part of the 17 18 million dollar adjustment to total -- to get to 19 the 17 million dollar adjustment? 20 A. No. I mean, I don't recall 11:24:37 21 specifically making that link. 22 Q. And I mean the 15 million dollars' 23 difference related to this MCPH/EPPI 24 calculation with the Hahnemann model. 25 A. I understand the difference. I'm 11:25:02</p>

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<p style="text-align: right;">Page 386</p> <p>1 the right bill date. Why has it got the 2 balance on it. How are you guys dealing with 3 this. And any outcome of that test is, again, 4 I think it's a controls test. So if as a 5 result of the test Brian became aware of 11:50:11 6 potential issues around things that are cited 7 like contractual allowances or not 8 reclassifying things to self pay or not taking 9 write-offs on a timely basis, those would be 10 raised as potential control matters to be 11:50:23 11 considered as a part of the accounts receivable 12 audit. 13 Q. Do you know whether any of the high 14 dollar accounts identified by Mr. Gedman or 15 anybody else were written off as a consequence 11:50:33 16 of your year-end audit work for fiscal year 17 1996? 18 MR. RYAN: Objection. 19 A. I don't know. 20 Q. Do you recall discussing write-offs 11:50:45 21 at year-end 6-30-96 of high dollar accounts 22 with anyone or potential write-offs at AHERF or 23 at C&L? 24 MR. RYAN: Objection. 25 A. No, I do not. 11:50:56</p>	<p style="text-align: right;">Page 388</p> <p>1 something that you would do. I think the aged 2 high dollar accounts, first of all, is normal 3 and expected for a hospital the size of all the 4 AHERF hospitals. Most -- two or three of them 5 being academic medical centers that do some 11:52:26 6 very significant procedures. So it is normal 7 to have high dollar accounts. It's normal to 8 have some of them age and sometimes those take 9 time. So, first of all, to have that is 10 normal. 11:52:37 11 The tests that you're looking at 12 here, I believe, is a test of controls. And 13 that is we, the auditors, are looking to see if 14 management has the controls and if those 15 controls are operating as expected around the 11:52:47 16 accounts, the patient accounts. And all of 17 that gets factored into our overall assessment 18 of the accounts receivable which we've talked a 19 couple times about at the end of the day there 20 was a proposed adjustment that management made. 11:52:59 21 Q. Can you tell me any dollar amount 22 that was a portion of the 17 or 17.5 million 23 dollar adjustment proposed at year-end fiscal 24 1996 that is attributable to, in your view, 25 aged high dollar receivables? 11:53:15</p>
<p style="text-align: right;">Page 387</p> <p>1 Q. Do you recall -- strike that. 2 Do you recall adjusting the 3 reserves at year-end 6-30-96 to account for the 4 existence of high dollar accounts like those 5 provided by Mr. Gedman in this exhibit? 11:51:19 6 A. I'm not sure I understand your 7 question. 8 MR. RYAN: Objection. 9 Q. Do you recall proposing an 10 adjustment to the bad debt reserve at AHERF 11:51:28 11 hospitals to account for the existence of high 12 dollar accounts like those we see in Exhibit 13 4027? 14 MR. RYAN: Objection. I still 15 don't think that makes any sense. 11:51:41 16 Q. Let me try it one last time because 17 making sense is my goal. 18 Do you recall proposing an 19 adjustment to AHERF or discussing the proposing 20 of an adjustment to AHERF to the allowance for 11:51:52 21 doubtful accounts at AHERF hospitals for the 22 existence on those hospitals' books of high 23 dollar accounts, aged high dollar accounts? 24 MR. RYAN: Same objection. 25 A. No. But I don't think that's 11:52:10</p>	<p style="text-align: right;">Page 389</p> <p>1 MR. RYAN: Objection. 2 A. I can't give you a specific amount 3 the 17.5 attributes to that. 4 - - - - - 5 (Thereupon, Deposition Exhibit 4390 6 was marked for purposes of 7 identification.) 8 - - - - - 9 Q. Mr. Kirstein, I've handed you 10 Exhibit 4390, another work paper from the 11:54:47 11 6-30-96 audit work or work related to the 12 6-30-96 ending fiscal year at AHERF, this one 13 named Delaware Valley Inpatient Days in A/R 14 Analysis, 6-30-96. 15 Have I at least identified the 11:55:03 16 document right? 17 A. Yes, sir. 18 Q. It is again marked reviewed by you 19 and last modified by you? 20 A. Yes. 11:55:10 21 - - - - - 22 (Thereupon, Deposition Exhibit 4391 23 was marked for purposes of 24 identification.) 25 - - - - - 11:55:22</p>

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<p style="text-align: right;">Page 390</p> <p>1 Q. Handing you 4391 as well, and it 2 has a heading, a work paper named Delaware 3 Valley Outpatient Days in A/R, 6-30-96, again 4 marked as reviewed by you and last modified by 5 you. Is that right? 11:55:46 6 A. Yes. 7 Q. Let's look at 4390 first. Could 8 you take a peek at the short one-page schedule 9 and tell me if you can identify it for me. And 10 then if you would look at 4391 because I 11:56:11 11 believe they're similar, I think we can move 12 this along as expeditiously as possible. 13 A. Yes, they both appear to be 14 calculating the days in A/R as they're titled, 15 one for inpatient and one for outpatient. 11:56:31 16 Q. What is the phrase -- I'm sorry, 17 finish your answer. 18 A. I was going to say although 4391 19 does have, it looks like a typo. 20 Q. Yes. 11:56:45 21 A. If you look at 4321 it says 22 inpatient days, but the heading is outpatient 23 days. 24 Q. I saw that as well. 25 A. I assume that's a typo. 11:56:52</p>	<p style="text-align: right;">Page 392</p> <p>1 sales per day. In a hospital it happens to be 2 treating patients. But in retail, it could be 3 buying widgets. What's your average A/R 4 balance and you divide the two out. 5 So on 4229, East Falls is showing 11:58:01 6 that based on the average revenue per day, 7 there's 113 days in accounts receivable at that 8 point in time. 9 Q. That's on Exhibit 4390? 10 A. Yes. 11:58:13 11 Q. Why do you calculate the statistic, 12 or why did Coopers & Lybrand's calculate the 13 statistic at AHERF or for AHERF in fiscal year 14 '96? 15 A. We've talked a couple times about 11:58:25 16 analytical analysis. Days in A/R was one of 17 the analytics that we considered as part of our 18 overall package in looking at the accounts 19 receivable balances. 20 Q. Was this percentage or this figure, 11:58:37 21 rather, days in A/R, compared by anyone at 22 Coopers & Lybrand to other hospitals or any 23 other group of hospitals? 24 A. I don't recall a specific step to 25 do that. I do believe it was discussed amongst 11:58:58</p>
<p style="text-align: right;">Page 391</p> <p>1 Q. My question for you, can you 2 describe for the jury, or anyone else that 3 might view this videotape, what days in A/R 4 means at Coopers & Lybrand in this time period, 5 or meant? 11:57:00 6 A. Days in A/R means -- I think it's 7 just a general term in finance, not just 8 Coopers & Lybrand. But it's the -- it's just 9 an average, an analytic that you can look at 10 for how many days are sitting in accounts 11:57:14 11 receivable at a point in time. In this case 12 June 30th, '96 there's a balance. Does that 13 represent 30 days of your business, you know, a 14 hundred days of your business. 15 Q. It is a calculation, first, of net 11:57:26 16 revenue days. And then that's compared to the 17 average outstanding A/R balance? 18 MR. RYAN: Objection. 19 A. I think what you're looking at 20 here -- there might be multiple ways to 11:57:39 21 calculate it. I'm certainly not an expert 22 sitting here in how to calculate these in A/R, 23 but this is what I recall doing. This is 24 just -- the way to calculate it is to calculate 25 the average revenue per day. So what's your 11:57:49</p>	<p style="text-align: right;">Page 393</p> <p>1 the audit team, particularly Bill Buettner, 2 myself, Brian Christian as part of our overall 3 summary of receivables. So sitting in that 4 room, you do have collective experience in the 5 industry like Bill Buettner, who focused in on 11:59:11 6 the industry, and myself, who had some past 7 experience as well. 8 Q. So there was a discussion that you 9 recall of days in A/R at AHERF hospitals as 10 reflected in 4390 and 4391 as compared to days 11:59:25 11 in A/R at other hospitals? 12 A. I didn't say -- 13 MR. RYAN: Objection. 14 A. I didn't say I recall specific 15 discussion. I said days in A/R definitely was 11:59:35 16 discussed in that meeting. And sitting in that 17 room I cannot recall a specific one for one 18 comparison. But I think it's important to 19 understand that, you know, in that room you 20 have experienced people like Bill Buettner who 11:59:49 21 do bring industry knowledge to the table and 22 has other healthcare clients. So while maybe 23 there's not a work paper that shows that, it's 24 inherent in the iterative audit process that 25 that sort of information is capable to be 12:00:01</p>

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<p style="text-align: right;">Page 394</p> <p>1 considered.</p> <p>2 Q. You had experience with other</p> <p>3 hospitals as well, did you not?</p> <p>4 A. Smaller hospitals. None the size</p> <p>5 of AHERF, but yes. 12:00:10</p> <p>6 Q. Do you recall being troubled by,</p> <p>7 with your industry experience, the days in A/R</p> <p>8 calculated for AHERF hospitals?</p> <p>9 MR. RYAN: Objection.</p> <p>10 A. No, I don't recall that. 12:00:22</p> <p>11 Q. Do you recall any discussions with</p> <p>12 Mr. Buettner or anybody else on the engagement</p> <p>13 team about concern over the days in A/R at</p> <p>14 AHERF hospitals?</p> <p>15 MR. RYAN: Objection. 12:00:35</p> <p>16 A. No, I do not.</p> <p>17 Q. Do you know where the net revenue</p> <p>18 or revenue figures were drawn from on these</p> <p>19 schedules, 4390 and 4391?</p> <p>20 A. No, I don't. 12:00:48</p> <p>21 Q. Do you expect in your practice as</p> <p>22 Coopers & Lybrand auditor that they were drawn</p> <p>23 from the audited financial statements or draft</p> <p>24 audited financial statements at the time?</p> <p>25 MR. RYAN: Objection. 12:01:02</p>	<p style="text-align: right;">Page 396</p> <p>1 MR. JONES: I think your objection</p> <p>2 would be to the form of the question. I'll</p> <p>3 take the amendment.</p> <p>4 Q. Do you know whether</p> <p>5 Mr. Christianson pulled this data from the 12:02:14</p> <p>6 audited financial statements --</p> <p>7 MR. RYAN: Objection.</p> <p>8 Q. -- the revenue data?</p> <p>9 A. I think I said I don't know where</p> <p>10 Brian got the information. 12:02:22</p> <p>11 Q. Do you know when the audited</p> <p>12 financial statements were signed for fiscal</p> <p>13 year 1996?</p> <p>14 A. I don't recall.</p> <p>15 Q. Do you know when they were issued 12:02:30</p> <p>16 for fiscal year 1996?</p> <p>17 MR. RYAN: I'm not sure what you</p> <p>18 mean by issued.</p> <p>19 Q. Do you know?</p> <p>20 MR. RYAN: Objection. 12:02:36</p> <p>21 A. What do you mean by issued?</p> <p>22 Q. What do you -- was released a</p> <p>23 better word for you?</p> <p>24 What's the word that would convey</p> <p>25 available for public consumption in audit 12:02:47</p>
<p style="text-align: right;">Page 395</p> <p>1 A. That's one option. I would also</p> <p>2 consider another option. Brian probably knows</p> <p>3 best. But I would expect they come basically</p> <p>4 from the books and records of the organization</p> <p>5 because the audited financial statements at 12:01:13</p> <p>6 that time weren't necessarily at this East</p> <p>7 Falls/Elkins box St. Chris level, but they were</p> <p>8 at a DVOG level. So I suspect they were</p> <p>9 probably from trial balances in the books and</p> <p>10 records of management. 12:01:26</p> <p>11 Q. I'm noting the date of the</p> <p>12 completed by document or completed by reference</p> <p>13 on these documents is 9-18-96.</p> <p>14 If that post dates the issuance of</p> <p>15 the financial statements for that fiscal year 12:01:43</p> <p>16 or the Coopers & Lybrand signature on the</p> <p>17 report for that year, would that lead you to</p> <p>18 believe that these revenue figures were drawn</p> <p>19 from the audited financial statements?</p> <p>20 MR. RYAN: Those are very different 12:01:52</p> <p>21 things. The date an auditor signs an opinion</p> <p>22 is not the date of issuance of financial</p> <p>23 statements, as I'm sure you know. So I think</p> <p>24 that's a very misleading way to ask that</p> <p>25 question. 12:02:06</p>	<p style="text-align: right;">Page 397</p> <p>1 speak?</p> <p>2 MR. RYAN: I don't think these were</p> <p>3 ever available for public consumption, so I'll</p> <p>4 object to that.</p> <p>5 MR. JONES: I think they were 12:02:54</p> <p>6 certainly shared with others by AHERF. Am I</p> <p>7 wrong on that?</p> <p>8 MR. RYAN: Not with the general</p> <p>9 public.</p> <p>10 MR. JONES: Am I wrong in what I 12:02:59</p> <p>11 said?</p> <p>12 MR. RYAN: They were shared with</p> <p>13 certain other parties outside of AHERF, yes.</p> <p>14 MR. JONES: Thank you.</p> <p>15 Q. My question is, when do you know 12:03:06</p> <p>16 that these financial statements were shared</p> <p>17 with anyone outside of AHERF, if you do?</p> <p>18 A. I don't know that to your question.</p> <p>19 Q. Do you know it was in September of</p> <p>20 1996 at some time? 12:03:13</p> <p>21 A. That they were shared with people</p> <p>22 outside of AHERF?</p> <p>23 Q. Yes.</p> <p>24 A. I don't know that.</p> <p>25 - - - - -</p>

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